

ANNUAL BUDGET OF  
**UMNGENI MUNICIPALITY**



2012/13 TO 2014/15  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

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## Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative	M	Mayor
BPC	Budget Planning Committee	MBRR	Municipal Budget & Reporting Regulations
CFO	Chief Financial Officer	MEC	Member of the Executive Committee
CM	Municipality Manager	MFMA	Municipal Financial Management Act
CPI	Consumer Price Index	MIG	Municipal Infrastructure Grant
CRRF	Capital Replacement Reserve Fund	MPRA	Municipal Properties Rates Act
DBSA	Development Bank of South Africa	MSA	Municipal Systems Act
DoRA	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
DWA	Department of Water Affairs	MTREF	Medium-term Revenue and Expenditure Framework
EE	Employment Equity	NERSA	National Electricity Regulator South Africa
EEDSM	Energy Efficiency Demand Side Management	NGO	Non-Governmental Organisations
FBS	Free basic services	NKPIs	National Key Performance Indicators
GAMAP	Generally Accepted Municipal Accounting Practice	OHS	Occupational Health and Safety
GDP	Gross Domestic Product	OP	Operational Plan
GDS	Gauteng Growth and Development Strategy	PBO	Public Benefit Organisations
GFS	Government Financial Statistics	PHC	Provincial Health Care
GRAP	General Recognised Accounting Practice	PMS	Performance Management System
HR	Human Resources	PPE	Property Plant and Equipment
HSRC	Human Science Research Council	PPP	Public Private Partnership
IDP	Integrated Development Plan	PTIS	Public Transport Infrastructure System
IT	Information Technology	RG	Restructuring Grant
kℓ	kilolitre	RSC	Regional Services Council
km	kilometre	SALGA	South African Local Government Association
KPA	Key Performance Area	SAPS	South African Police Service
KPI	Key Performance Indicator	SDBIP	Service Delivery Budget Implementation Plan
kWh	kilowatt hour	SMME	Small Micro and Medium Enterprises
ℓ	litre		
LED	Local Economic Development		

## Part 1 – Annual Budget

### 1.1 Mayor's Report

#### **SPEECH BY THE MAYOR OF uMNGENI MUNICIPALITY**

**CLLR M.P. MYENI PRESENTED TO THE MUNICIPAL COUNCIL ON THE OCCASION OF THE  
TABLING OF THE 2012/2013, 2013/2014, 2014/2015 DRAFT BUDGET IN THE COUNCIL  
CHAMBERS, HOWICK,**

**ON WEDNESDAY 28 MARCH 2012**

Madam Speaker,

Executive Committee Members,

Councillors,

Acting Municipal Manager,

General Managers,

Chief Financial Officer,

Staff,

Members of the media and Public,

Ladies and Gentlemen.

It is a great honour to present to you the multi-year budget for uMngeni Municipality in respect of the 2012/13, 2013/14 and 2014/15 financial years.

Madam Speaker and members of Council, this multi-year budget is tabled in terms of the Municipal Finance Management Act (MFMA), No 56 of 2003 and in terms of the Municipal Budget & Reporting Regulations. The MFMA requires that the budget be tabled ninety (90) days before the start of the financial year and we are fully complying with this requirement. It is the intention to have this budget finally approved on 30 May 2012 which will be in compliance of the requirements of the MFMA.

Inflation is forecast to remain within the target range of 5.7 to 5.9 percent, edging towards the upper end of the range in 2014 as the economy strengthens. This was taken into account when the budget was compiled.

Cognisance should be taken that the SALGA Salary Wage Collective Agreement has come to an end and National Treasury has advised to make provision for an increase of 5% for the 2012/2013 financial year. As part of Government's aim to create jobs, provision has been made to fill vacancies in respect of 50 General Workers with effect from 1 January 2013.

Furthermore, the increase in the electricity tariffs as approved by the National Electricity Regulator of South Africa will result in a 13% in the bulk purchases for 2012/13 financial year. This increase is way above the headline inflation forecasts. The guideline increase for municipalities to pass on to their consumers is only 11%.

Madam Speaker, you are aware of the huge electricity losses experienced by uMngeni Municipality through technical losses, tampering, illegal connections and theft. I am however, please to announce that we have entered into an agreement with IDT through the Department of Energy to conduct an assessment of the entire Electricity Service and also to implement the findings to address these losses. This amounts to millions of rand with no contribution from uMngeni Municipality.

Although the Municipal Property Rates Act makes provision for the rating of roads, but upon discussion with National Departments they are of the view that it is against national economic activities to rate roads. For this reason no provision has been made to rate provincial and national roads in the 2012/13 financial year. This will result in a decrease of R11 million in the rates income for the 2012/13 financial year.

Madam Speaker, the uMgungundlovu District Municipality will take over the Environmental Health Function from 1 July 2012 which will result in a saving of R1.6 million per annum. Furthermore the primary health care (clinics) will also be transferred to the Provincial Department of Health with an estimated annual saving of R3 million.

Madam Speaker, this Council's Third Generation Integrated Development Plan (IDP) to inform the 2012/13 financial year's budget was also tabled to Council today. I am pleased to announce that this draft budget is aligned to the draft revised IDP. Due to the current financial situation of uMngeni Municipality we can only fund capital projects through the Municipal Infrastructure Grant which amounts to R16.2 million.

### **Governance**

The Internal Audit Activity stills operate under a Shared Internal Audit Services which has been running for almost 4 years this is an indication of a commitment in promoting the intergovernmental relations between the participating Municipalities. Internal Audit Activity has formed a working relationship with the Provincial Internal Audit Unit and National Treasury Risk and Internal Audit Support Unit for skills and resources sharing and to strengthen the Internal Audit Activities operations. As a result both the National and Provincial Treasuries engaged itself in coordinating the Risk Assessment Exercises within

the Municipalities participating in the shared service. A risk based audit plan has been developed and systems of internal control were tested to effectively monitor the vulnerability of operations within the municipality. Through the Shared Service contribution an audit working paper tool has been sourced and is being rolled out to fast track effectiveness of audit sampling and this will also help internal audit to identify areas with high risk to be able to advise management of areas that needs urgent and immediate attention.

UMngeni Municipality Youth Advisory Centre is still standing and continues to service the youth who are seeking advice on careers, receiving vouchers for small businesses, life skills, and basic computer skills. Madam Speaker, we pride ourselves in services offered by the Youth Advisory Centre include, and includes accomplishment such as:

The Youth Advisory Centre will re-launch the Local Youth Committee, whereby one member from all the 11 wards will be a representative. The primary objective of this structure is to monitor and evaluate the youth development processes.

Madam Speaker, one cannot over emphasise an outstanding responsibility of the municipality towards caring for children and recognising their rights as enshrined in Act 338 of 2005 which is nested in uMngeni Local Advisory Council for Council. The uMngeni Municipality continues to forge and establish relations with various stakeholders in ensuring that Children's Rights and welfare is well taken care of. Surrounding stakeholders the municipality engages with, include Dart, Children's Right Centre, Inkanyiso Day Care centre. Advocacy and awareness campaigns

## **Health**

The HIV Counselling and Testing (HCT) programme is the key intervention towards the realisation for HIV/AIDS National Strategy Plan for 2007-2011. Behavioural change campaigns include the Male Medical Circumcision campaign. The MEC for Health is currently leading an intensive circumcision campaign which is aimed at reducing the chances of HIV/AIDS transmission. Currently the uMngeni Municipality in conjunction with other stakeholders promotes this initiative. We recently hosted an HIV/AIDS awareness campaign, held on 08 and 09 December 2011, where 37 young men were screened for HCT and 16 males were circumcised.

## **Housing**

Madam Speaker, we have over twelve (12) housing projects within the uMngeni Municipality. To date, 6217 low income houses have been constructed. These include areas such as Mpophomeni phase 3, Emandleni, Siphumelele, to name a few. Furthermore, there are projects that are in the planning and packaging stage, while construction has commenced for the Khayelisha area – which will in turn produce 500 houses.



## **Crime**

Madam Speaker, crime affects everyone, and our area within uMngeni Municipality is also affected by various crimes. These include general theft, especially copper wire, in the farming areas – which consequently affects various essential services. Residential burglary has slightly decreased and stabilised., while business burglary in the Nottingham Road and Howick area has also slightly decreased. Also motor vehicle theft has stabilised. Murder rate has increased especially domestic cases in Howick area. Gang related crimes in Mpophomeni area continue to contribute to the murder statistics. Rape continues to fluctuate. We are pleased to report that the Family Child and Sexual Offence Unit (FCS) has been introduced. ATM fraud has tremendously decreased.

Drugs still continue to plaque our community, especially the youth. UMngeni Municipality, together with the South African Police Service (SAPS) and the Community Policing Forum (CPF) and other stakeholders, have put crime prevention strategies in place. These include awareness campaigns at schools on drugs abuse, domestic abuse, etc.

The Cluster Crime Combating Forum – it consists of police stations within the uMngeni jurisdiction – primarily monitors, implements strategies in combating crimes within this jurisdiction.

## **Economic Development**

In our endeavour to fulfill our constitutional mandate of promoting economic development in the 2010/2011 Financial Year, we managed to fully package the first phase of the Nelson Mandela Capture Site Upgrade project. The project is positively progressing, and we are positive that we will meet our deadline to launch and commemorate the 50<sup>th</sup> anniversary of the site in August 2012.

To promote regional economic growth and development and to drive the implementation of catalytic LED projects within the KwaZulu-Natal Midlands. The Industrial Development Corporation approved R1.12 million for the establishment of the Midlands Economic Development Agency. Considerable amount of preparatory work dealing with the formulation of an appropriate institutional mandate and policy framework for the shared municipal ownership of the agency has been achieved. Last year October saw the appointment of the board by formal resolution of the councils involved, i.e. uMngeni, uMtshezi and Mpofana.

Madam Speaker, in ensuring that tourism development is as inclusive as possible and that the previously disadvantaged individuals and communities are brought into the mainstream of tourism development. The construction of the Mpophomeni Tourism

Gateway Complex in Mpophomeni Township is 97% complete and envisaged to be launched mid June 2012.

Madam Speaker, currently we are applying for additional funding of R2.8 million from the IDC – to be tabled at their April Funding Committee Meeting. The success of the application is conditional upon the completion of pre-establishment tasks, which include:

- Initiation of a process to appoint a CEO by the Agency Board of Directors;
- Receipt and or Payment of all outstanding reciprocal contributions by each partner municipality, and
- The implementation of a Due Diligence Audit by the IDC (to assess current grant expenditure and performance in terms of agreed grant conditions)

Madam Speaker, we will continue to put more focus on economic development by continuing to implement projects such as the Upgrade of the Nelson Mandela Capture Site; and the Howick Falls Precinct Development through the Midlands Development Agency

### **Infrastructure Development**

Although the financial climate has had an impact on service delivery within our municipality, we are looking forward to improvements.

In this regard we have achieved in the following areas in 2010/2011:

#### **ENERGY**

- Delivered approximately 650 new electricity connections through the innovation of providing electricity in Eskom license area and have moved to electrify rural communities.
- Significant strengthening of existing electricity infrastructure in Howick.
- System design for the electricity consumer loss audit is well advanced and will result in the reduction in electricity losses. Those vandalizing municipal infrastructure and stealing electricity must be cautioned that stern action will be taken.
- Free Basic Electricity of 100 kwh per month for all consumers on pre-paid meters.

Madam Speaker, cognisance should be taken that for the period 1 July 2012 to 30 June 2013, Eskom will increase the municipal tariff rates for bulk electricity purchases by 16%. Municipalities are, however only allowed to increase the electricity selling price by 11%. Provision has been made for this 11% increase in the electricity tariffs. This is however still subject to the approval of the National Energy Regulator of South Africa.

**INFRA-STRUCTURE**

- The construction of the P390 from Mpophomeni to Msunduzi municipal boundary will have economic benefits to all.
- Constructed and commissioned roads and stormwater infrastructure in excess of 6.5km of new roads.
- The construction and improvements to the main street this calendar year will reduce traffic congestion from prospect road to the uMngeni River.
- Construction and improvements on the P142 from the N3 towards the railway underpass will improve traffic flow and safety in this area.

**RATES & PROPERTY**

- The new general valuation roll came into effect on 1 July 2011 and the process of objections/appeals is still ongoing and the result is not yet known. The Rates Policy has been amended to make provision for the new categories of properties and categories of owners.
- Free Basic Refuse Removal Service for all properties with a value of R200 000 or less. Properties with a value of more than R200 000 will pay a refuse charge of R48.20 per month with effect from 1 July 2012.
- There will be rates exemption up to R100 000 of the valuation for residential properties in 2012/13. Further exemptions will be considered for the outer years when next year's budget is compiled.
- All residential properties will receive a 30% rebate and retirement villages like Amberglen, Amberfield and Golden Pond will receive an additional 20% rebate.
- Pensioners with a monthly income of up to R9 000 will still receive a further rebate of 30%.
- Agricultural Properties, Public Service Infrastructure Properties and Public Benefit Organisation Properties must be rated in terms of a 1:0.25 ratio from 1 July 2010 as per Government Gazette No 33016 dated 12 March 2010. This has been taken into account when the draft budget was compiled.
- Incentives to commercial & industrial consumers/ratepayers are still applicable.

Madam Speaker with all the incentives explained above it is necessary to increase the rate randage by 6% for the 2012/13 financial year. The proposed rate randage will be 1.29 cents in the Rand.

I must mention Madam Speaker, that after this meeting, the municipality will have a combined public participation process with the uMgungundlovu District Municipality to showcase the IDP and Budget and to share with our people different views on what I am about to table to this Council.

I THANK YOU

## 1.2 Council Resolutions

On 28 March 2012 the Council of UMngeni Municipality Local Municipality met in the Council Chambers of UMngeni Municipality to consider the annual budget of the municipality for the financial year 2012/13. The Council approved and adopted the following resolutions:

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of uMngeni Municipality for the financial year 2012/2013 and indicative allocations for the two projected outer years 2013/2014 and 2014/2015, and the multi-year and single year capital appropriations are approved as set out in the following tables:

1.1 Budgeted Financial Performance (revenue & expenditure by standard classification)

1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote)

1.3 Budgeted Financial Performance (revenue by source and expenditure by type)

1.4 Single year capital appropriations by municipal vote and standard classification and associated funding by source

2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables

2.1 Budgeted Financial Position

2.2 Budgeted Cash Flows

2.3 Cash backed reserves and accumulated surplus reconciliation

2.4 Asset Management

2.5 Basic service delivery measurement

3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of electricity, refuse removal and all other tariffs as set out in Other Supporting Documents be approved with effect from 1 July 2012.

4. That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the rates policy as amended be approved

5. That in terms of section 24(2)(c)(v) of the Municipal Finance Management Act, 56 of 2003 the various budget-related policies as amended be approved.

6. That in terms of section 14 of the Municipal Property Rates Act, 6 of 2004 the rate randage and conditions as set out in Other Supporting Documents be approved be approved with effect from 1 July 2012

7. That in terms of section 24(2)(c)(ii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework be approved

8. That the Basic Services Package of Electricity and Refuse Removal as set out in the Tariff Policy be approved

9. That the salaries, wages and allowances of all employees be increased in accordance with the multi-year SALGBC wage agreement with effect from 1 July 2012.

### **1.3 Executive Summary**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, travel, accommodation, and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circulars No. 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced to grant funded projects and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2012/13 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2012/13 MTREF**

R thousand	Adjustments Budget 2011/2012	Budget Year 2012/2013	Budget Year + 1 2013/2014	Budget Year + 2 2014/2015
Total Operating Revenue	213,171	219,499	236,935	254,675
Total Operating Expenditure	226,456	219,491	236,917	254,660
Surplus/(Deficit) for the year	- 13,285	8	18	15
Total Capital Expenditure	38,509	16,190	18,184	18,884

Total operating revenue has increased by 2.97 per cent or R6.328 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 7.94 and 7.49 per cent respectively, equating to a total revenue growth of R41.5 million over the MTREF when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/12 financial year has been appropriated at R226.5 million and translates into a budgeted deficit of R13.3 million. When compared to the 2011/12 Adjustments Budget, operational expenditure has decreased by 3.08 per cent in the 2012/13 budget and increased by 7.94 and 7.49 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years is R18 thousand and R15 thousand respectively. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R16.19 million for 2012/13 is 58 per cent less when compared to the 2011/12 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year and no provision being made for carry overs as well as affordability constraints in the light of current economic circumstances. Only capital projects funded through the Municipal Infrastructure Grant is included in the 2012/13 capital budget. The capital programme increases to R18.2 million in the 2013/14 financial year and then increases to R18.9 million in 2014/15. Note that the Municipality has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term.

## 1.4 Operating Revenue Framework

For UMngeni Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Energy Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to electricity;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description R thousand	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 medium term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Revenue By Source</b>										
Property rates	68,108	65,228	76,748	100,282	100,282	77,099	77,099	94,238	99,515	104,889
Property rates - penalties & collection charges	5,608	2,580	3,380	1,601	1,601	3,226	3,226	3,419	3,611	3,806
Service charges - electricity revenue	23,404	30,907	36,332	40,477	40,477	48,999	48,999	54,858	61,152	68,139
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	5,558	8,164	10,232	10,146	10,146	4,085	4,085	3,703	4,190	4,686
Service charges - other										
Rental of facilities and equipment	441	414	789	1,326	1,326	963	963	1,002	1,058	1,115
Interest earned - external investments	124	257	481	575	575	205	205	300	300	300
Interest earned - outstanding debtors	4,885	1,562	1,155	321	321	1,428	1,428	1,009	1,066	1,123
Dividends received										
Fines	1,035	376	16	253	253	3,289	3,289	6,263	6,612	6,971
Licences and permits	1,934	2,697	2,940	2,095	2,095	1,833	1,833	1,879	1,984	2,091
Agency services										
Transfers recognised - operational	35,425	50,013	51,673	33,185	33,705	33,705	33,705	39,707	44,008	47,793
Other revenue	23,924	29,785	32,177	22,390	22,390	31,497	31,497	13,121	13,440	13,761
Gains on disposal of PPE		364								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>170,445</b>	<b>192,345</b>	<b>215,923</b>	<b>212,651</b>	<b>213,171</b>	<b>206,331</b>	<b>206,331</b>	<b>219,499</b>	<b>236,935</b>	<b>254,675</b>

**Table 3 Percentage growth in revenue by main revenue source**

Description R thousand	2012/13 Medium Term Revenue & Expenditure Framework					
	2012/13	%	2013/14	%	2014/15	%
<b>Revenue By Source</b>						
Property Rates	94,238	42.9%	99,515	42.0%	104,889	41.2%
Penalties Imposed	3,419	1.6%	3,611	1.5%	3,806	1.5%
User Charges for Services	58,561	26.7%	65,342	27.6%	72,825	28.6%
Rent of Facilities & Equipment	1,002	0.5%	1,058	0.4%	1,115	0.4%
Interest Earned- External Investments	300	0.1%	300	0.1%	300	0.1%
Interest Earned- Outstandind Debtors	1,009	0.5%	1,066	0.4%	1,123	0.4%
Fines	6,263	2.9%	6,612	2.8%	6,971	2.7%
Licences & Permits	1,879	0.9%	1,984	0.8%	2,091	0.8%
Operating Grants & Subsidies	39,707	18.1%	44,008	18.6%	47,793	18.8%
Other Income	13,121	6.0%	13,440	5.7%	13,761	5.4%
<b>NET OPERATING INCOME</b>	<b>219,499</b>	<b>100.0%</b>	<b>236,935</b>	<b>100.0%</b>	<b>254,675</b>	<b>100.0%</b>
Total Revenue from Rates & Services	156,218	71.2%	168,468	71.1%	181,520	71.3%

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2011/12 financial year, revenue from rates and services charges totalled R133.4 million or 64.7 per cent. This increases to R156.2 million, R168.5 million and R181.5 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 59 MBRR SA1 (see page 98).

Property rates are the largest revenue source totalling 42.9 per cent or R94.2 million rand and increases to R104.9 million by 2014/15. The second largest source is user charges for services which consists of sale of electricity and refuse removal charges. Operating Grants & Subsidies are the third largest revenue source totalling 18.1 per cent in 2012/13 and increase to 18.8 per cent in 2014/15. Departments have been urged to review the tariffs of items like building plan fees, connection fees, advertisements and permits and licenses on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R39.7 million in the 2012/13 financial year and steadily increases to R47.8 million by 2014/15. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:



**Table 4 Operating Transfers and Grant Receipts**

Description R thousand	Medium Term Revenue & Expenditure Framework		
	2012/13	2013/14	2014/15
<b>Receipts:</b>			
<b><u>Operating Transfers &amp; Grants</u></b>			
<b>National Government:</b>	<b>37,602,000</b>	<b>40,685,000</b>	<b>44,288,000</b>
Financial Management Grant	1,500,000	1,750,000	1,750,000
Municipal Systems Improvement Grant	800,000	900,000	950,000
Local Government Equitable Share	32,471,000	34,835,000	37,505,000
Special Support for Councillor's Remuneration	2,831,000	3,200,000	4,083,000
<b>Provincial Government:</b>	<b>2,105,000</b>	<b>3,323,000</b>	<b>3,505,000</b>
Primary Health Care	353,000		
Museum Subsidy	134,000	143,000	151,000
Staffing Costs of Libraries	1,411,000	2,963,000	3,126,000
Community Library Services Grant	207,000	217,000	228,000
<b>Total Operating Transfers &amp; Grants</b>	<b>39,707,000</b>	<b>44,008,000</b>	<b>47,793,000</b>

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circulars No.58 and 59 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0.25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R85 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 30 per cent rebate will be granted on all residential properties;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 60 per cent will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed R9000 per month. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Council in the prescribed format for such a grant.
- The levying of rates on Provincial and National Roads is no longer applicable as it impacts on national and provincial economic activities. This will result in a decrease of R11 million in income compared to the 2011/12 financial year.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on the current rate randage of 1.29 cents in the Rand from 1 July 2012 is contained below:

**Table 5 Comparison of proposed rates to be levied for the 2011/12 financial year**

Category	Category	Approved Tariff (1 July 2012)	Approved Rebates (from 1 July 2012)
		<b>c</b>	<b>%</b>
Residential		1.29c/R	30%
Industrial		1.29c/R	0%
Business & Commercial		1.29c/R	0%
Farms- Agriculture		1.29c/R	82.5%
Farms- Commercial		1.29c/R	82.5%
Farms-Residential		1.29c/R	82.5%
State Owned Properties		1.29c/R	30%
Municipal Properties		1.29c/R	100%
Public Service Infrastructure (Roads)		1.29c/R	100%
Public Service Infrastructure (Other)		1.29c/R	82.5%
Private Towns		1.29c/R	0%
Informal Settlements		1.29c/R	30%
Mining & Quarries		1.29c/R	82.5%
Vacant Land		1.29c/R	0%
Protected Areas		1.29c/R	100%
National Monuments		1.29c/R	100%
Multi-Purpose		1.29c/R	0%
Smallholdings- Agriculture		1.29c/R	82.5%
Smallholdings- Commercial		1.29c/R	82.5%
Smallholdings- Residential		1.29c/R	82.5%
Smallholdings- Other		1.29c/R	82.5%
Farms- Other		1.29c/R	82.5%

#### 1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 13.5 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff for high consumers had to be increased by 11.03 per cent to partly offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 100 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

**Table 6 Comparison between current electricity charges and increases (Domestic)**

Monthly Consumption kWh	Current Tariffs Payable	Proposed Tariffs Payable	Percentage Increase
1- 50 kWh	63c/kWh	66c/kWh	4.76%
51-350 kWh	72c/kWh	82c/kWh	13.89%
351-600 kWh	95c/kWh	105c/kWh	10.53%
601kWh and above	112c/kWh	124c/kWh	10.71%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). This Municipality has already implemented the stepped tariff structure from 1 July 2010 and will continue with this practice in 2012/13.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner Municipality reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2012/13 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

#### **1.4.3 Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2012. Higher increases will not be viable in 2012/13 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2012:

**Table 7 Comparison between current waste removal fees and increases**

Type of Consumer	Description	Current Tariffs 2011/12	Proposed Tariffs 2012/13
<b>Domestic Consumers</b>	Consumers/Ratepayers with total market value per property up to R200 000	Free	Free
	Consumers/Ratepayers with property values in excess of R200 000	R45.40 per month	R48.20 per month
<b>Commercial Consumers</b>	One Collection per week per 120 liter bin	R75.00 per month	R90.00 per month
<b>Government Institutions</b>	One Collection per week per 120 liter bin	R62.00 per month	R80.00 per month

#### 1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 6.0 and 6.9 per cent, with the increase for indigent households closer to 6.0 per cent. Electricity increases however impacts on the total household bill.

**Table 8 MBRR Table SA14 – Household bills**

Description	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % Incr.	Budget 2012/13	Budget 2013/14	Budget 2014/15
Rand/cent										
<b>Income Range'</b>										
<b>Rates and services charges:</b>										
Property rates	4,816.00	5,067.30	5,422.90	5,124.00	5,748.27	6,093.17	6.0%	6,093.17	6,434.96	6,796.31
Electricity: Basic levy	115.38	151.50	79.80	84.27	84.59	89.66	11.0%	93.92	104.28	115.78
Electricity: Consumption	299.10	392.70	766.00	905.00	811.96	860.68	11.0%	901.52	1,000.96	1,111.37
Water: Basic levy	–	–	–	–	–	–	–	–	–	–
Water: Consumption	–	–	–	–	–	–	–	–	–	–
Sanitation	–	–	–	–	–	–	–	–	–	–
Refuse removal	–	40.00	42.80	45.40	45.37	48.09	6.0%	50.98	53.83	56.84
Other	–	–	–	–	–	–	–	–	–	–
sub-total	5,230.48	5,651.50	6,311.50	6,158.67	6,690.19	7,091.60	15.9%	7,139.59	7,594.03	8,080.30
VAT on Services	58.03	81.79	124.40	144.85	131.87	139.78	1.4%	146.50	162.27	179.76
<b>Total large household bill:</b>	5,288.51	5,733.29	6,435.90	6,303.52	6,822.06	7,231.38	15.6%	7,286.09	7,756.30	8,260.06
% increase/-decrease		8.4%	12.3%	(2.1%)	8.2%	6.0%		0.8%	6.5%	6.5%
<b>'Affordable Range'</b>										
<b>Rates and services charges:</b>										
Property rates	3,311.00	3,471.30	3,714.90	3,416.00	–	3,416.00	6.0%	3,620.96	3,823.73	4,037.86
Electricity: Basic levy	115.38	151.50	79.80	84.27	–	84.27	11.0%	93.92	104.28	115.78
Electricity: Consumption	149.55	196.35	356.00	374.00	–	374.00	11.0%	415.25	461.05	511.90
Water: Basic levy	–	–	–	–	–	–	–	–	–	–
Water: Consumption	–	–	–	–	–	–	–	–	–	–
Sanitation	–	–	–	–	–	–	–	–	–	–
Refuse removal	–	40.00	42.80	45.40	–	45.40	6.0%	48.12	53.83	56.84
Other	–	–	–	–	–	–	–	–	–	–
sub-total	3,575.93	3,859.15	4,193.50	3,919.67	–	3,919.67	6.6%	4,178.25	4,442.89	4,722.38
VAT on Services	37.09	54.30	67.00	70.51	–	70.51	0.1%	78.02	86.68	95.83
<b>Total small household bill:</b>	3,613.02	3,913.45	4,260.50	3,990.18	–	3,990.18	6.7%	4,256.27	4,529.57	4,818.21
% increase/-decrease		8.3%	8.9%	(6.3%)	(100.0%)	–		6.7%	6.4%	6.4%
			0.07	(1.72)	14.76	(1.00)				
<b>Monthly Account for Household - 'Indigent'</b>										
<b>Household receiving free basic services</b>										
<b>Rates and services charges:</b>										
Property rates	1,806.00	1,875.30	2,006.90	1,708.00	–	1,708.00	6.0%	1,810.48	1,911.87	2,018.93
Electricity: Basic levy	115.38	151.50	79.80	84.27	–	84.27	11.0%	93.92	104.28	115.78
Electricity: Consumption	104.69	137.45	212.00	237.50	–	237.50	11.0%	263.69	292.78	325.07
Water: Basic levy	–	–	–	–	–	–	–	–	–	–
Water: Consumption	–	–	–	–	–	–	–	–	–	–
Sanitation	–	–	–	–	–	–	–	–	–	–
Refuse removal	–	40.00	42.80	45.40	–	45.40	6.0%	48.12	53.83	56.84
Other	–	–	–	–	–	–	–	–	–	–
sub-total	2,026.07	2,204.25	2,341.50	2,075.17	–	2,075.17	6.8%	2,216.21	2,362.76	2,516.62
VAT on Services	30.81	46.05	46.84	51.40	–	51.40	0.1%	56.80	63.12	69.68
<b>Total small household bill:</b>	2,056.88	2,250.30	2,388.34	2,126.57	–	2,126.57	6.9%	2,273.01	2,425.88	2,586.30
% increase/-decrease		9.4%	6.1%	(11.0%)	(100.0%)	–		6.9%	6.7%	6.6%

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

**Table 9 Summary of operating expenditure by standard classification item**

Expenditure By Type										
Employee related costs	57,948	65,109	67,930	81,510	81,982	66,683	66,683	73,437	77,550	81,738
Remuneration of councillors	4,039	4,067	4,198	4,778	5,300	5,054	5,054	5,426	5,730	6,040
Debt impairment	8,627	2,736	4,912	3,000	3,000	3,000	3,000	3,000	2,500	2,500
Depreciation & asset impairment	6,491	8,187	8,727	8,295	8,295	8,295	8,295	9,704	10,248	10,801
Finance charges	5,754	4,832	5,772	5,084	5,271	2,800	2,800	4,209	3,981	3,744
Bulk purchases	21,550	29,225	38,383	40,767	40,767	50,745	50,745	58,865	67,989	77,507
Other materials										
Contracted services	3,039	2,389	2,019	4,000	4,000	6,000	6,000	5,000	5,280	5,565
Transfers and grants	-	-	-	-	594	594	594	-	-	-
Other expenditure	53,712	62,811	67,844	78,428	77,247	56,759	56,759	59,850	63,640	66,766
Loss on disposal of PPE	117									
<b>Total Expenditure</b>	<b>161,278</b>	<b>179,357</b>	<b>199,784</b>	<b>225,863</b>	<b>226,456</b>	<b>199,931</b>	<b>199,931</b>	<b>219,491</b>	<b>236,917</b>	<b>254,660</b>
<b>Surplus/(Deficit)</b>	<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>(13,212)</b>	<b>(13,286)</b>	<b>6,400</b>	<b>6,400</b>	<b>8</b>	<b>18</b>	<b>15</b>
Transfers recognised - capital				13,347	13,347	8,901	8,901	16,190	18,274	18,884
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributed assets										
	9,166	12,988	16,139	135	61	15,301	15,301	16,198	18,292	18,899
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>										
Taxation										
<b>Surplus/(Deficit) after taxation</b>	<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>	<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/(Deficit) for the year</b>	<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>

The budgeted allocation for employee related costs for the 2012/13 financial year totals R73.4 million, which equals 33.5 per cent of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 5 per cent for the 2012/13 financial year. An annual increase of 5 per cent has been included in the two outer years of the MTREF. As part of the planning assumptions and interventions all vacancies were originally removed from the budget but as part of the national initiative to concentrate on job creation provision was made to fill at least 50 vacancies of General Workers in Technical Services with effect from 1 January 2013. The outcome of this exercise was the inclusion of R2 million in the salary budget. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 75 per cent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R3 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R9.7 million for the 2012/13 financial and equates to 4.4 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.9 per cent (R4.2 million) of operating expenditure excluding annual redemption for 2012/13 and decreases to R3.7 million by 2014/15. As previously noted, the Municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept close to 1.9 per cent over the MTREF.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Contracted services have been identified as a cost saving area for the Municipality. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2012/13 financial year, this group of expenditure totals R5 million. For the two outer years growth has been limited to 5.5 per cent. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2012/13 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 6 per cent for 2012/13 and curbed at 6 per cent for the two outer years, indicating that significant cost savings have been already realised.

### **1.5.1 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.



Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 10 Operational repairs and maintenance**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand	1									
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		2,814	6,146	–	5,030	5,030	3,270	8,050	9,757	10,514
Infrastructure - Road transport		1,438	3,678	–	1,676	1,676	1,090	4,400	5,903	6,508
<i>Roads, Pavements &amp; Bridges</i>		824	2,996		1,157	1,157	752	3,398	4,844	5,393
<i>Storm water</i>		614	682		519	519	337	1,002	1,058	1,116
Infrastructure - Electricity		1,376	2,468	–	3,354	3,354	2,180	3,650	3,854	4,006
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>		1,376	2,468		3,354	3,354	2,180	3,650	3,854	4,006
<i>Street Lighting</i>										
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
<b>Community</b>		2,883	1,720	–	4,633	4,633	3,011	1,138	1,202	1,267
Parks & gardens		783	1,023		952	952	619	137	145	153
Community halls		9	32		23	23	15	18	19	20
Libraries		172	213		237	237	154	20	21	23
Security and policing		190	267		271	271	176	46	48	51
Buses										
Clinics		15	13		13	13	9	–	–	–
Museums & Art Galleries		8	10		5	5	4	2	3	3
Cemeteries		75	51		49	49	32	3	3	3
Social rental housing		1	111		–	–				
Other		1,630			3,083	3,083	2,004	911	963	1,014
<b>Heritage assets</b>		–	–	–	–	–	–	–	–	–
<b>Investment properties</b>		–	–	–	–	–	–	–	–	–
<b>Other assets</b>		154	144	–	138	138	90	–	–	–
Specialised vehicles				–			–	–	–	–
Civic Land and Buildings		132	144		110	110	72			
Other Buildings		22			28	28	18			
<b>Agricultural assets</b>		–	–	–	–	–	–	–	–	–
<b>Biological assets</b>		–	–	–	–	–	–	–	–	–
<b>Intangibles</b>		–	–	–	–	–	–	–	–	–
<b>Total Repairs and Maintenance Expenditure</b>	1	5,851	8,010	–	9,801	9,801	6,371	9,188	10,959	11,781

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 13.8 per cent in the 2011/12 financial year, from R8 million to R9.1 million. The total allocation for 2012/13 equates to R9.2 million a decrease of 6.1 per cent in relation to the Adjustment Budget and continues to grow at 19.3 and 7.5 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 4.2, 4.6 and 4.6 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 11 Repairs and maintenance per asset class**

Description	2008/09	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand								
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>								
<b>Infrastructure</b>	2,814	-	5,030	5,030	3,270	8,050	9,757	10,514
Infrastructure - Road transport	1,438	-	1,676	1,676	1,090	4,400	5,903	6,508
<i>Roads, Pavements &amp; Bridges</i>	824		1,157	1,157	752	3,398	4,844	5,393
<i>Storm water</i>	614		519	519	337	1,002	1,058	1,116
<i>Generation</i>								
<i>Transmission &amp; Reticulation</i>	1,376		3,354	3,354	2,180	3,650	3,854	4,006
<b>Community</b>	2,883	-	4,633	4,633	3,011	1,138	1,202	1,267
Parks & gardens	783		952	952	619	137	145	153
Community halls	9		23	23	15	18	19	20
Libraries	172		237	237	154	20	21	23
Security and policing	190		271	271	176	46	48	51
Buses								
Clinics	15		13	13	9	-	-	-
Museums & Art Galleries	8		5	5	4	2	3	3
Cemeteries	75		49	49	32	3	3	3
Social rental housing	1		-	-				
Other	1,630		3,083	3,083	2,004	911	963	1,014
<b>Heritage assets</b>	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-
<b>Other assets</b>	154	-	138	138	90	-	-	-
Civic Land and Buildings	132		110	110	72			
Other Buildings	22		28	28	18			
<b>Agricultural assets</b>	-	-	-	-	-	-	-	-
<b>Biological assets</b>	-	-	-	-	-	-	-	-
<b>Intangibles</b>	-	-	-	-	-	-	-	-
<b>Total Repairs and Maintenance Expenditure</b>	5,851	-	9,801	9,801	6,371	9,188	10,959	11,781
<b>Specialised vehicles</b>	-	-	-	-	-	-	-	-
<i>R&amp;M as a % of PPE</i>	3.1%	0.0%			1.6%	2.3%	2.6%	2.7%
<i>R&amp;M as % Operating Expenditure</i>	3.6%	0.0%			0.0%	0.0%	0.0%	0.0%

For the 2012/13 financial year, 87.6 per cent or R8.05 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant

proportion of this allocation totalling 40 per cent (R3.7 million), followed by road infrastructure at 47.9 per cent (R4.4 million). Community assets have been allocated R1.1 million of total repairs and maintenance equating to 12 per cent.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. There is currently 2800 debtors registered as indigent and the target is to register 1000 or more indigent households during the 2012/13 financial year, a process reviewed every six months.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 12 2011/12 Medium-term capital budget per vote**

Description R thousand	2012/13 Medium Term Revenue & Expenditure Framework					
	2012/13	%	2013/14	%	2014/15	%
Roads & Stormwater	16,190	100.0%	17,078	100.0%	18,065	100.0%
Electricity Services		0.0%		0.0%		0.0%
Solid Waste		0.0%		0.0%		0.0%
Parks & Gardens		0.0%		0.0%		0.0%
Traffic Engineering		0.0%		0.0%		0.0%
Planning & Development		0.0%		0.0%		0.0%
<b>Total Capital Budget</b>	<b>16,190</b>	<b>100.0%</b>	<b>17,078</b>	<b>100.0%</b>	<b>18,065</b>	<b>100.0%</b>

For 2012/13 an amount of R16.2 million has been appropriated for the development of infrastructure which represents 100 per cent of the total capital budget. In the outer years this amount totals R17.1 million, 100 per cent and R18.1 million, 100 per cent respectively for each of the financial years. Roads & Stormwater receives the total allocation of R16.2 million in 2012/13 which equates to 100 per cent.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 22 MBRR A9 (Asset Management) on page 37.

## 1.7 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 13 MBRR Table A1 - Budget Summary

Description	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	73,716	67,807	80,128	101,884	101,884	80,325	80,325	97,657	103,126	108,695
Service charges	28,962	39,071	46,564	50,623	50,623	53,084	53,084	58,561	65,342	72,826
Investment revenue	124	257	481	575	575	205	205	300	300	300
Transfers recognised - operational	35,425	50,013	51,673	33,185	33,705	33,705	33,705	39,707	44,008	47,793
Other own revenue	32,218	35,197	37,078	26,384	26,384	39,011	39,011	23,274	24,160	25,061
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>170,445</b>	<b>192,345</b>	<b>215,923</b>	<b>212,651</b>	<b>213,171</b>	<b>206,331</b>	<b>206,331</b>	<b>219,499</b>	<b>236,935</b>	<b>254,675</b>
Employee costs	57,948	65,109	67,930	81,510	81,982	66,683	66,683	73,437	77,550	81,738
Remuneration of councillors	4,039	4,067	4,198	4,778	5,300	5,054	5,054	5,426	5,730	6,040
Depreciation & asset impairment	6,491	8,187	8,727	8,295	8,295	8,295	8,295	9,704	10,248	10,801
Finance charges	5,754	4,832	5,772	5,084	5,271	2,800	2,800	4,209	3,981	3,744
Materials and bulk purchases	21,550	29,225	38,383	40,767	40,767	50,745	50,745	58,865	67,989	77,507
Transfers and grants	-	-	-	-	594	594	594	-	-	-
Other expenditure	65,496	67,936	74,775	85,428	84,247	65,759	65,759	67,850	71,420	74,831
<b>Total Expenditure</b>	<b>161,278</b>	<b>179,357</b>	<b>199,784</b>	<b>225,863</b>	<b>226,456</b>	<b>199,931</b>	<b>199,931</b>	<b>219,491</b>	<b>236,917</b>	<b>254,660</b>
<b>Surplus/(Deficit)</b>	<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>(13,212)</b>	<b>(13,286)</b>	<b>6,400</b>	<b>6,400</b>	<b>8</b>	<b>18</b>	<b>15</b>
Transfers recognised - capital	-	-	-	13,347	13,347	8,901	8,901	16,190	18,274	18,884
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>26,390</b>	<b>31,230</b>	<b>21,558</b>	<b>18,506</b>	<b>38,509</b>	<b>20,367</b>	<b>20,367</b>	<b>16,190</b>	<b>18,184</b>	<b>18,884</b>
Transfers recognised - capital	17,519	24,057	19,830	13,447	38,509	19,489	19,489	16,190	18,184	18,884
Public contributions & donations	2,671	-	-	-	-	-	-	-	-	-
Borrowing	5,391	3,125	-	-	-	-	-	-	-	-
Internally generated funds	808	4,048	1,358	5,059	-	-	-	-	-	-
<b>Total sources of capital funds</b>	<b>26,390</b>	<b>31,230</b>	<b>21,188</b>	<b>18,506</b>	<b>38,509</b>	<b>19,489</b>	<b>19,489</b>	<b>16,190</b>	<b>18,184</b>	<b>18,884</b>
<b>Financial position</b>										
Total current assets	73,325	68,226	51,337	60,068	60,068	66,861	66,861	61,705	53,855	52,005
Total non current assets	191,739	213,642	369,400	220,181	249,912	391,559	391,559	415,709	431,918	449,804
Total current liabilities	70,987	65,929	80,983	66,000	66,000	107,861	107,861	65,000	55,000	68,000
Total non current liabilities	63,736	64,137	68,572	68,876	68,876	68,876	68,876	64,264	64,458	58,652
Community wealth/Equity	130,341	151,803	273,640	155,583	155,583	298,639	298,639	319,361	336,053	353,351
<b>Cash flows</b>										
Net cash from (used) operating	23,753	45,338	46,382	(2,863)	(23,338)	(30,282)	(30,282)	(20,029)	(23,935)	(24,587)
Net cash from (used) investing	949	999	-	(2,897)	(13,506)	(21,313)	(21,313)	(12,033)	(10,274)	(10,884)
Net cash from (used) financing	4,946	3,125	(3,600)	(882)	(1,975)	(1,707)	(1,707)	(3,707)	(809)	(3,938)
<b>Cash/cash equivalents at the year end</b>	<b>29,649</b>	<b>79,110</b>	<b>121,892</b>	<b>(1,642)</b>	<b>(33,819)</b>	<b>(48,301)</b>	<b>(48,301)</b>	<b>(40,769)</b>	<b>(75,787)</b>	<b>(115,195)</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	(3,919)	3,655	1,801	19,005	19,005	(34,703)	(34,703)	(13,295)	(3,145)	2,005
Application of cash and investments	44,076	57,227	71,944	31,393	19,125	6,901	6,901	8,659	14,358	14,723
<b>Balance - surplus (shortfall)</b>	<b>(47,996)</b>	<b>(53,572)</b>	<b>(70,144)</b>	<b>(12,388)</b>	<b>(120)</b>	<b>(41,603)</b>	<b>(41,603)</b>	<b>(21,954)</b>	<b>(17,503)</b>	<b>(12,718)</b>
<b>Asset management</b>										
Asset register summary (WDV)	1,750	1,551	1,010	1,492	1,010	1,010	9,740	9,740	9,410	9,800
Depreciation & asset impairment	6,491	8,187	8,727	8,295	8,295	8,295	9,704	9,704	10,248	10,801
Renewal of Existing Assets	26,390	31,230	21,558	18,505	38,509	20,747	20,747	16,190	18,184	18,884
Repairs and Maintenance	5,851	8,010	-	9,801	9,801	6,371	9,188	9,188	10,959	11,781
<b>Free services</b>										
Cost of Free Basic Services provided	13,049	-	-	9,200	9,200	9,200	9,752	9,752	10,337	10,337
Revenue cost of free services provided	51,817	55,337	55,596	68,132	68,132	68,132	55,486	55,486	58,632	61,240
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	20	20	18	25	25	25	26	26	28	28

**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2014/15, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Table 14 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		111,538	120,682	120,268	135,150	135,150	109,117	130,883	138,786	147,656
Executive and council		93,562	87,260	91,721	126,825	126,825	101,478	126,121	133,611	142,316
Budget and treasury office		16,363	30,340	25,230	5,010	5,010	4,741	2,572	2,863	2,904
Corporate services		1,613	3,081	3,317	3,315	3,315	2,898	2,189	2,311	2,436
<i>Community and public safety</i>		6,504	7,801	7,489	5,272	5,791	7,573	10,060	12,097	12,752
Community and social services		516	555	628	937	1,456	1,720	1,903	3,482	3,673
Sport and recreation		90	95	365	107	107	107	4	5	5
Public safety		3,353	3,394	3,570	4,027	4,027	5,545	8,153	8,610	9,075
Housing		974	1,089	1,106	39	39	39	-	-	-
Health		1,571	2,668	1,819	162	162	162	-	-	-
<i>Economic and environmental services</i>		2,030	4,003	4,478	13,803	13,803	12,669	2,981	3,148	3,318
Planning and development		556	1,541	1,852	1,611	1,611	1,328	995	1,051	1,107
Road transport		1,474	2,462	2,626	12,192	12,192	11,341	1,986	2,097	2,211
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		50,373	59,836	83,689	71,773	71,773	76,971	75,575	82,906	90,949
Electricity		37,789	44,746	64,147	50,525	50,525	61,020	61,829	68,389	75,649
Water		-	-	-	-	-	-	-	-	-
Waste water management		170	183	194	4,208	4,208	205	-	-	-
Waste management		12,414	14,906	19,348	17,040	17,040	15,747	13,747	14,516	15,300
<i>Other</i>	4	-	23	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>2</b>	<b>170,445</b>	<b>192,345</b>	<b>215,924</b>	<b>225,998</b>	<b>226,517</b>	<b>206,331</b>	<b>219,499</b>	<b>236,936</b>	<b>254,676</b>
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		47,441	53,669	51,552	65,181	65,181	50,510	54,380	56,815	59,625
Executive and council		25,571	28,900	22,557	32,593	32,593	23,229	28,115	28,940	30,336
Budget and treasury office		13,541	15,088	18,047	21,260	21,260	16,742	16,616	17,707	18,563
Corporate services		8,329	9,681	10,948	11,328	11,328	10,539	9,649	10,168	10,726
<i>Community and public safety</i>		30,138	33,246	36,014	43,156	43,750	34,856	34,223	36,329	38,173
Community and social services		12,122	13,153	14,930	16,416	17,010	13,432	14,618	15,356	16,127
Sport and recreation		7,876	9,360	9,371	13,366	13,366	8,823	9,534	10,353	10,861
Public safety		6,510	6,773	7,398	8,096	8,096	8,135	8,735	9,224	9,722
Housing		974	1,089	1,106	1,508	1,508	1,282	1,336	1,396	1,462
Health		2,657	2,871	3,210	3,770	3,770	3,184	(0)	(0)	(0)
<i>Economic and environmental services</i>		22,782	25,678	24,817	28,720	28,720	22,678	26,307	28,604	30,242
Planning and development		6,931	8,334	9,302	10,046	10,046	8,263	7,391	7,855	8,329
Road transport		15,851	17,344	15,514	18,674	18,674	14,415	18,917	20,748	21,913
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		60,286	66,360	87,244	88,458	88,458	91,797	104,449	115,037	126,485
Electricity		37,789	44,746	64,147	65,765	65,765	71,535	80,143	89,904	100,390
Water		-	-	-	-	-	-	-	-	-
Waste water management		3,952	4,401	4,161	4,386	4,386	3,975	8,184	8,533	8,923
Waste management		18,546	17,213	18,936	18,306	18,306	16,287	16,122	16,600	17,172
<i>Other</i>	4	631	405	157	347	347	90	132	134	136
<b>Total Expenditure - Standard</b>	<b>3</b>	<b>161,278</b>	<b>179,357</b>	<b>199,784</b>	<b>225,862</b>	<b>226,456</b>	<b>199,931</b>	<b>219,492</b>	<b>236,917</b>	<b>254,661</b>
<b>Surplus/(Deficit) for the year</b>		<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>136</b>	<b>61</b>	<b>6,400</b>	<b>8</b>	<b>18</b>	<b>15</b>

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 9 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Electricity function, but not the Waste management function.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Executive & Council.

**Table 15 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description R thousand	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Revenue by Vote</b>	<b>1</b>									
Vote 1 - Executive and Council		93,835	87,496	92,066	127,151	127,151	101,808	126,121	133,611	142,316
Vote 2 - Budget and Treasury Office		16,363	30,340	25,230	5,010	5,010	4,741	2,572	2,863	2,904
Vote 3 - Corporate Services		1,523	1,902	2,416	2,555	2,555	1,869	1,470	1,552	1,636
Vote 4 - Planning and Development		347	1,179	1,085	1,221	1,221	939	995	1,051	1,107
Vote 5 - Community Services		6,303	7,586	7,291	5,053	5,572	7,393	9,976	12,008	12,659
Vote 6 - Technical Services		14,076	17,564	22,155	33,439	33,439	27,256	15,786	16,667	17,565
Vote 7 - Economic Development and Growth		209	385	767	389	389	389	-	-	-
Vote 8 - Internal Audit		-	1,145	767	653	653	917	750	792	835
Vote 9 - Electricity		37,789	44,746	64,147	50,525	50,525	61,020	61,829	68,389	75,649
<b>Total Revenue by Vote</b>	<b>2</b>	<b>170,445</b>	<b>192,345</b>	<b>215,924</b>	<b>225,998</b>	<b>226,517</b>	<b>206,331</b>	<b>219,499</b>	<b>236,933</b>	<b>254,671</b>
<b>Expenditure by Vote to be appropriated</b>	<b>1</b>									
Vote 1 - Executive and Council		26,366	29,773	23,509	33,699	33,699	24,327	29,034	29,910	31,358
Vote 2 - Budget and Treasury Office		13,541	15,088	18,047	21,260	21,260	16,742	16,616	17,707	18,563
Vote 3 - Corporate Services		10,814	11,510	13,393	13,954	13,954	11,961	12,204	12,803	13,446
Vote 4 - Planning and Development		4,412	5,471	5,588	6,176	6,176	5,235	5,495	5,853	6,218
Vote 5 - Community Services		24,627	27,488	29,270	35,963	36,557	28,879	27,682	29,502	31,036
Vote 6 - Technical Services		38,808	39,250	38,988	41,772	41,772	35,112	43,786	46,454	48,611
Vote 7 - Economic Development and Growth		3,150	3,268	3,871	4,218	4,218	3,118	2,028	2,136	2,246
Vote 8 - Internal Audit		1,770	2,764	2,971	3,056	3,056	3,022	2,505	2,645	2,788
Vote 9 - Electricity		37,790	44,746	64,147	65,765	65,765	71,535	80,143	89,904	100,390
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>161,278</b>	<b>179,357</b>	<b>199,784</b>	<b>225,862</b>	<b>226,456</b>	<b>199,931</b>	<b>219,492</b>	<b>236,914</b>	<b>254,656</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>9,166</b>	<b>12,987</b>	<b>16,140</b>	<b>136</b>	<b>61</b>	<b>6,400</b>	<b>8</b>	<b>19</b>	<b>15</b>



### Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity trading service.

**Table 16 Surplus/(Deficit) calculations for the trading services**

Description R thousand	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Electricity</b>										
Total Revenue (Incl capital grants & transfers)	37,789	44,746	64,147	50,525	50,525	61,020	61,020	61,829	68,389	75,649
Operating Expenditure	37,789	44,746	64,147	65,765	65,765	71,535	71,535	80,143	89,904	100,390
Surplus/(Deficit) for the year	-	-	-	15,240	15,240	10,515	10,515	18,314	21,515	24,741
Percentage Surplus	-	-	-	30	30	17	17	30	31	33

2. The electricity trading deficit is deteriorating over the 2012/13 MTREF from 29.6 per cent or R18.3 million in 2012/13 to 32.7 per cent by 2014/15. This is primarily as a result of the high increases in Eskom bulk purchases, distribution losses and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.
3. Note that the deficit on the electricity account is *cross-subsidise by rates and other municipal services*.

**Table 17 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	68,108	65,228	76,748	100,282	100,282	77,099	77,099	94,238	99,515	104,889
Property rates - penalties & collection charges		5,608	2,580	3,380	1,601	1,601	3,226	3,226	3,419	3,611	3,806
Service charges - electricity revenue	2	23,404	30,907	36,332	40,477	40,477	48,999	48,999	54,858	61,152	68,139
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	5,558	8,164	10,232	10,146	10,146	4,085	4,085	3,703	4,190	4,686
Service charges - other											
Rental of facilities and equipment		441	414	789	1,326	1,326	963	963	1,002	1,058	1,115
Interest earned - external investments		124	257	481	575	575	205	205	300	300	300
Interest earned - outstanding debtors		4,885	1,562	1,155	321	321	1,428	1,428	1,009	1,066	1,123
Dividends received											
Fines		1,035	376	16	253	253	3,289	3,289	6,263	6,612	6,971
Licences and permits		1,934	2,697	2,940	2,095	2,095	1,833	1,833	1,879	1,984	2,091
Agency services											
Transfers recognised - operational		35,425	50,013	51,673	33,185	33,705	33,705	33,705	39,707	44,008	47,793
Other revenue	2	23,924	29,785	32,177	22,390	22,390	31,497	31,497	13,121	13,440	13,761
Gains on disposal of PPE			364								
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>170,445</b>	<b>192,345</b>	<b>215,923</b>	<b>212,651</b>	<b>213,171</b>	<b>206,331</b>	<b>206,331</b>	<b>219,499</b>	<b>236,935</b>	<b>254,675</b>
<b>Expenditure By Type</b>											
Employee related costs	2	57,948	65,109	67,930	81,510	81,982	66,683	66,683	73,437	77,550	81,738
Debt impairment	3	8,627	2,736	4,912	3,000	3,000	3,000	3,000	3,000	2,500	2,500
Depreciation & asset impairment	2	6,491	8,187	8,727	8,295	8,295	8,295	8,295	9,704	10,248	10,801
Finance charges		5,754	4,832	5,772	5,084	5,271	2,800	2,800	4,209	3,981	3,744
Bulk purchases	2	21,550	29,225	38,383	40,767	40,767	50,745	50,745	58,865	67,989	77,507
Other materials	8										
Contracted services		3,039	2,389	2,019	4,000	4,000	6,000	6,000	5,000	5,280	5,565
Transfers and grants		-	-	-	-	594	594	594	-	-	-
Other expenditure	4, 5	53,712	62,811	67,844	78,428	77,247	56,759	56,759	59,850	63,640	66,766
Loss on disposal of PPE		117									
<b>Total Expenditure</b>		<b>161,278</b>	<b>179,357</b>	<b>199,784</b>	<b>225,863</b>	<b>226,456</b>	<b>199,931</b>	<b>199,931</b>	<b>219,491</b>	<b>236,917</b>	<b>254,660</b>
<b>Surplus/(Deficit)</b>		<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>(13,212)</b>	<b>(13,286)</b>	<b>6,400</b>	<b>6,400</b>	<b>8</b>	<b>18</b>	<b>15</b>
Transfers recognised - capital					13,347	13,347	8,901	8,901	16,190	18,274	18,884
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
Contributed assets											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>9,166</b>	<b>12,988</b>	<b>16,139</b>	<b>135</b>	<b>61</b>	<b>15,301</b>	<b>15,301</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R219.5 million in 2012/13 and escalates to R254.7 million by 2014/15. This represents a year-on-year increase of 3 per cent for the 2013/14 financial year and 7 per cent for the 2014/15 financial year.
2. Revenue to be generated from property rates is R94.2 million in the 2012/13 financial year and increases to R104.9 million by 2014/15 which represents 42.9 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal contributes to the revenue basket of the Municipality totalling R58.6 million for the 2012/13 financial year and increasing to R72.8 million by 2014/15. For the 2012/13 financial year services charges amount to 26.7 per cent of the total revenue base and increase to 28.6 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 10.8 per cent and 8.6 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. Bulk purchases have significantly increased over the 2012/13 to 2014/15 period escalating from R58.8 million to R77.5 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 18 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>R thousand</b>											
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury Office		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - Economic Development and Growth		-	-	-	-	-	-	-	-	-	-
Vote 8 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 9 - Electricity		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Executive and Council		429	1,156	30	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury Office		35	58	110	-	-	-	-	-	-	-
Vote 3 - Corporate Services		6,579	20	158	628	1,722	-	-	-	-	-
Vote 4 - Planning and Development		18	246	50	-	628	-	-	-	-	-
Vote 5 - Community Services		707	1,336	129	-	600	-	-	-	-	-
Vote 6 - Technical Services		14,449	22,083	14,435	17,878	29,672	17,803	17,803	16,190	17,078	18,065
Vote 7 - Economic Development and Growth		-	1,442	3,780	-	2,093	1,047	1,047	-	-	-
Vote 8 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 9 - Electricity		4,172	4,889	2,867	-	3,794	1,518	1,518	-	1,106	819
<b>Capital single-year expenditure sub-total</b>		26,390	31,230	21,558	18,506	38,509	20,367	20,367	16,190	18,184	18,884
<b>Total Capital Expenditure - Vote</b>		26,390	31,230	21,558	18,506	38,509	20,367	20,367	16,190	18,184	18,884
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		7,044	1,234	297	628	1,722	-	-	-	-	-
Executive and council		429	1,156	30	-	-	-	-	-	-	-
Budget and treasury office		35	58	110	-	-	-	-	-	-	-
Corporate services		6,579	20	158	628	1,722	-	-	-	-	-
<b>Community and public safety</b>		707	1,336	129	-	600	-	-	-	-	-
Community and social services		54	35	-	-	-	-	-	-	-	-
Sport and recreation		632	531	27	-	-	-	-	-	-	-
Public safety		2	761	92	-	-	-	-	-	-	-
Housing		-	5	-	-	600	-	-	-	-	-
Health		18	3	9	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		14,348	22,077	13,396	17,878	30,300	17,803	17,803	16,190	17,078	18,065
Planning and development		18	246	50	-	628	-	-	-	-	-
Road transport		14,330	21,830	13,346	17,878	29,672	17,803	17,803	16,190	17,078	18,065
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		4,291	5,091	3,951	-	3,794	1,518	1,518	-	1,106	819
Electricity		4,172	4,889	2,867	-	3,794	1,518	1,518	-	1,106	819
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		119	202	1,084	-	-	-	-	-	-	-
<b>Other</b>		-	1,493	3,785	-	2,093	1,047	1,047	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	26,390	31,230	21,558	18,506	38,509	20,367	20,367	16,190	18,184	18,884
<b>Funded by:</b>											
National Government		12,067	21,774	15,447	13,447	13,447	13,447	13,447	16,190	18,184	18,884
Provincial Government		1,925	2,283	4,383	-	-	-	-	-	-	-
District Municipality		3,526	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	25,062	6,042	6,042	-	-	-
Transfers recognised - capital	4	17,519	24,057	19,830	13,447	38,509	19,489	19,489	16,190	18,184	18,884
Public contributions & donations	5	2,671	-	-	-	-	-	-	-	-	-
Borrowing	6	5,391	3,125	-	-	-	-	-	-	-	-
Internally generated funds		808	4,048	1,358	5,059	-	-	-	-	-	-
<b>Total Capital Funding</b>	7	26,390	31,230	21,188	18,506	38,509	19,489	19,489	16,190	18,184	18,884

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R16.2 million for the 2012/13 financial year and increases over the MTREF at levels of R18.2 million and R18.9 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital grants only. For 2012/13, capital transfers totals R16.2 million (100 per cent) and escalates to R18.9 million by 2014/15 (100 per cent). Internally generated funding totaling R0 million, for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

**Table 19 MBRR Table A6 - Budgeted Financial Position**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		5	5	5	5	5	5	5	5	5	5
Call investment deposits	1	970	4,590	3,208	20,000	20,000	2,700	2,700	1,700	1,850	2,000
Consumer debtors	1	65,500	63,631	48,124	40,063	40,063	64,157	64,157	60,000	52,000	50,000
Other debtors		6,851	0								
Current portion of long-term receivables											
Inventory	2										
<b>Total current assets</b>		<b>73,325</b>	<b>68,226</b>	<b>51,337</b>	<b>60,068</b>	<b>60,068</b>	<b>66,861</b>	<b>66,861</b>	<b>61,705</b>	<b>53,855</b>	<b>52,005</b>
<b>Non current assets</b>											
Long-term receivables		-									
Investments											
Investment property		1,750	1,551	1,010	1,492	1,010	1,010	1,010	9,740	9,410	9,800
Investment in Associate											
Property, plant and equipment	3	189,989	212,091	368,390	218,689	248,902	390,549	390,549	405,969	422,508	440,004
Agricultural											
Biological											
Intangible											
Other non-current assets											
<b>Total non current assets</b>		<b>191,739</b>	<b>213,642</b>	<b>369,400</b>	<b>220,181</b>	<b>249,912</b>	<b>391,559</b>	<b>391,559</b>	<b>415,709</b>	<b>431,918</b>	<b>449,804</b>
<b>TOTAL ASSETS</b>		<b>265,064</b>	<b>281,868</b>	<b>420,737</b>	<b>280,249</b>	<b>309,980</b>	<b>458,420</b>	<b>458,420</b>	<b>477,414</b>	<b>485,773</b>	<b>501,809</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	4,894	939	1,412	1,000	1,000	37,407	37,407	15,000	5,000	-
Borrowing	4	3,129	2,635	2,912	3,500	3,500	3,500	3,500	3,000	3,000	3,000
Consumer deposits		1,418	1,551	2,050	1,500	1,500	1,500	1,500	2,000	2,000	20,000
Trade and other payables	4	59,835	60,088	74,303	60,000	60,000	65,454	65,454	45,000	45,000	45,000
Provisions		1,711	715	306							
<b>Total current liabilities</b>		<b>70,987</b>	<b>65,929</b>	<b>80,983</b>	<b>66,000</b>	<b>66,000</b>	<b>107,861</b>	<b>107,861</b>	<b>65,000</b>	<b>55,000</b>	<b>68,000</b>
<b>Non current liabilities</b>											
Borrowing		44,635	44,461	43,496	45,001	45,001	45,001	45,001	38,264	37,558	30,852
Provisions		19,101	19,676	25,076	23,875	23,875	23,875	23,875	26,000	26,900	27,800
<b>Total non current liabilities</b>		<b>63,736</b>	<b>64,137</b>	<b>68,572</b>	<b>68,876</b>	<b>68,876</b>	<b>68,876</b>	<b>68,876</b>	<b>64,264</b>	<b>64,458</b>	<b>58,652</b>
<b>TOTAL LIABILITIES</b>		<b>134,723</b>	<b>130,066</b>	<b>149,555</b>	<b>134,876</b>	<b>134,876</b>	<b>176,737</b>	<b>176,737</b>	<b>129,264</b>	<b>119,458</b>	<b>126,652</b>
<b>NET ASSETS</b>	5	<b>130,341</b>	<b>151,803</b>	<b>271,182</b>	<b>145,373</b>	<b>175,104</b>	<b>281,683</b>	<b>281,683</b>	<b>348,150</b>	<b>366,315</b>	<b>375,157</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		107,018	129,166	104,519	131,210	131,210	131,210	131,210	153,532	171,824	190,722
Reserves	4	23,323	22,637	169,121	24,373	24,373	167,429	167,429	165,829	164,229	162,629
Minorities' interests											
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>130,341</b>	<b>151,803</b>	<b>273,640</b>	<b>155,583</b>	<b>155,583</b>	<b>298,639</b>	<b>298,639</b>	<b>319,361</b>	<b>336,053</b>	<b>353,351</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 61 is supported by an extensive table of notes (SA3 which can be found on page 104 providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 20 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		29,382			127,739	182,515	157,361	157,361	108,716	113,508	125,092
Government - operating	1		50,013	38,895	32,359	33,186	33,186	33,186	39,707	44,005	47,793
Government - capital	1			12,778	23,897	13,347	13,347	13,347	16,190	18,274	18,884
Interest		125	257	481	255	717	250	250	300	300	300
Dividends											
Payments											
Suppliers and employees					(181,162)	(247,654)	(228,547)	(228,547)	(180,733)	(196,041)	(212,912)
Finance charges		(5,754)	(4,932)	(5,772)	(4,564)	(5,084)	(5,084)	(5,084)	(4,209)	(3,981)	(3,744)
Transfers and Grants	1				(1,386)	(365)	(795)	(795)	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		23,753	45,338	46,382	(2,863)	(23,338)	(30,282)	(30,282)	(20,029)	(23,935)	(24,587)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		599	999					-			
Decrease (Increase) in non-current debtors								-			
Decrease (Increase) other non-current receivables		350			21,000	5,000	20,000	20,000	4,157	8,000	8,000
Decrease (Increase) in non-current investments								-			
Payments											
Capital assets					(23,897)	(18,506)	(41,313)	(41,313)	(16,190)	(18,274)	(18,884)
NET CASH FROM/(USED) INVESTING ACTIVITIES		949	999	-	(2,897)	(13,506)	(21,313)	(21,313)	(12,033)	(10,274)	(10,884)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans								-			
Borrowing long term/refinancing		4,946	3,125	-	2,500	2,000	2,000	2,000	-	3,000	-
Increase (decrease) in consumer deposits								-			
Payments											
Repayment of borrowing				(3,600)	(3,382)	(3,975)	(3,707)	(3,707)	(3,707)	(3,809)	(3,938)
NET CASH FROM/(USED) FINANCING ACTIVITIES		4,946	3,125	(3,600)	(882)	(1,975)	(1,707)	(1,707)	(3,707)	(809)	(3,938)
NET INCREASE/ (DECREASE) IN CASH HELD											
		29,649	49,462	42,782	(6,642)	(38,819)	(53,301)	(53,301)	(35,769)	(35,018)	(39,409)
Cash/cash equivalents at the year begin:	2		29,649	79,110	5,000	5,000	5,000	5,000	(5,000)	(40,769)	(75,787)
Cash/cash equivalents at the year end:	2	29,649	79,110	121,892	(1,642)	(33,819)	(48,301)	(48,301)	(40,769)	(75,787)	(115,195)

**Table 21 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
Cash and investments available											
Cash/cash equivalents at the year end	1	29,649	79,110	121,892	(1,642)	(33,819)	(48,301)	(48,301)	(40,769)	(75,787)	(115,195)
Other current investments > 90 days		(33,568)	(75,455)	(120,092)	20,647	52,824	13,599	13,599	27,473	72,642	117,200
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		(3,919)	3,655	1,801	19,005	19,005	(34,703)	(34,703)	(13,295)	(3,145)	2,005
Application of cash and investments											
Unspent conditional transfers		10,347	28,329	21,750	5,000	5,000	10,454	10,454	10,000	10,000	10,000
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	–	–	–	–	–	–	–	–	–	–
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/invest	5										
Total Application of cash and investments:		10,347	28,329	21,750	5,000	5,000	10,454	10,454	10,000	10,000	10,000
Surplus(shortfall)		(14,267)	(24,673)	(19,949)	14,005	14,005	(45,156)	(45,156)	(23,295)	(13,145)	(7,995)



**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality increased significantly over the 2008/09 to 2010/11 period owing directly to a net increase in cash for the 2009/10 financial year of R49.5 million.
4. The approved 2011/12 MTREF provide for a further net decrease in cash of R6.6 million for the 2011/12 financial year resulting in an overall projected negative cash position of R1.6 million at year end.
5. As part of the 2011/12 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents totals R40.8 million overdraft as at the end of the 2012/13 financial year and escalates to R115.2 million overdraft by 2014/15.

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2008/09 to 2011/12 the deficit improved from R14.3 million not cash-backed to R14 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2011/12 MTREF was not funded owing to the significant deficit.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to progressively move from a deficit of R23.3 million in 2012/13 to a deficit of R8 million by 2014/15.

Table 22 MBRR Table A9 - Asset Management

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	26,390	31,230	–	18,505	35,224	34,596	16,190	18,184	18,885
Infrastructure - Road transport		14,330	13,564	–	17,877	28,709	28,709	16,190	17,078	18,066
Infrastructure - Electricity		4,172	4,889	–	–	3,794	3,794	–	1,106	819
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		18,502	18,453	–	17,877	32,503	32,503	16,190	18,184	18,885
Community		707	1,333	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	2,093	2,093	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	7,181	11,444	–	628	628	–	–	–	–
<u>Total Renewal of Existing Assets</u>	2	26,390	31,230	21,558	18,505	38,509	20,747	16,190	18,184	18,884
Infrastructure - Road transport		14,330	13,564	13,346	17,877	29,672	17,803	16,190	17,078	18,065
Infrastructure - Electricity		4,172	4,889	2,867	–	3,794	1,897	–	1,106	819
Infrastructure - Other		119	–	1,084	–	–	–	–	–	–
Infrastructure		18,621	18,453	17,297	17,877	33,466	19,700	16,190	18,184	18,884
Community		651	1,332	481	–	2,322	–	–	–	–
Heritage assets		–	–	3,780	–	2,093	1,047	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	7,118	11,445	–	628	628	–	–	–	–
<u>Total Capital Expenditure</u>	4									
Infrastructure - Road transport		28,660	27,128	13,346	35,754	58,381	46,512	32,380	34,156	36,131
Infrastructure - Electricity		8,345	9,778	2,867	–	7,588	5,691	–	2,212	1,638
Infrastructure - Other		119	–	1,084	–	–	–	–	–	–
Infrastructure		37,123	36,906	17,297	35,754	65,969	52,203	32,380	36,368	37,769
Community		1,358	2,665	481	–	2,322	–	–	–	–
Heritage assets		–	–	3,780	–	4,186	3,140	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		14,299	22,889	–	1,256	1,256	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	52,780	62,460	21,558	37,010	73,733	55,343	32,380	36,368	37,769
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5									
Infrastructure - Electricity										
Infrastructure - Other										
Infrastructure		–	–	–	–	–	–	–	–	–
Community										
Heritage assets										
Investment properties		1,750	1,551	1,010	1,492	1,010	1,010	9,740	9,410	9,800
Other assets										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1,750	1,551	1,010	1,492	1,010	1,010	9,740	9,410	9,800
EXPENDITURE OTHER ITEMS										
<u>Depreciation &amp; asset impairment</u>		6,491	8,187	8,727	8,295	8,295	8,295	9,704	10,248	10,801
<u>Repairs and Maintenance by Asset Class</u>	3	5,851	8,010	–	9,801	9,801	6,371	9,188	10,959	11,781
Infrastructure - Road transport		1,438	3,678	–	1,676	1,676	1,090	4,400	5,903	6,508
Infrastructure - Electricity		1,376	2,468	–	3,354	3,354	2,180	3,650	3,854	4,006
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		2,814	6,146	–	5,030	5,030	3,270	8,050	9,757	10,514
Community		2,883	1,720	–	4,633	4,633	3,011	1,138	1,202	1,267
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	154	144	–	138	138	90	–	–	–
TOTAL EXPENDITURE OTHER ITEMS		12,342	16,197	8,727	18,096	18,096	14,666	18,892	21,206	22,582
Renewal of Existing Assets as % of total capex										
Renewal of Existing Assets as % of deprecn"		50.0%	50.0%	100.0%	50.0%	52.2%	37.5%	50.0%	50.0%	50.0%
R&M as a % of PPE		406.6%	381.4%	247.0%	223.1%	464.3%	250.1%	166.8%	177.4%	174.8%
Renewal and R&M as a % of PPE		3.1%	3.8%	0.0%	4.5%	3.9%	1.6%	2.3%	2.6%	2.7%
		1842.0%	2530.0%	2134.0%	1897.0%	4783.0%	2685.0%	261.0%	310.0%	313.0%

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

Table 23 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Household service targets</b>	1									
<b><u>Energy:</u></b>										
Electricity (at least min.service level)		4,800	5,000	5,000	4,800	4,800	4,800	4,800	4,800	4,800
Electricity - prepaid (min.service level)		5,500	7,000	7,000	9,000	9,000	9,000	9,000	9,000	9,000
<i>Minimum Service Level and Above sub-total</i>		10,300	12,000	12,000	13,800	13,800	13,800	13,800	13,800	13,800
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	10,300	12,000	12,000	13,800	13,800	13,800	13,800	13,800	13,800
<b><u>Refuse:</u></b>										
Removed at least once a week										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week		18	18	18	22,000	22,000	22,000	23,000	24,000	24,000
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal		2	2		3,000	3,000	3,000	3,000	4,000	4,000
<i>Below Minimum Service Level sub-total</i>		20,000	20,000	18,000	25,000	25,000	25,000	26,000	28,000	28,000
<b>Total number of households</b>	5	20,000	20,000	18,000	25,000	25,000	25,000	26,000	28,000	28,000
<b><u>Households receiving Free Basic Service</u></b>	7									
Electricity/other energy (50kwh per household per month)		7,000	7,000	7,000	9,000	9,000	9,000	9,000	9,000	9,000
Refuse (removed at least once a week)		13,000	13,000	13,000	7,500	7,500	7,500	9,000	9,000	9,000
<b><u>Cost of Free Basic Services provided (R'000)</u></b>	8									
Electricity/other energy (50kwh per household per month)		2,603			4,200	4,200	4,200	4,452	4,719	4,719
Refuse (removed once a week)		5,269			5,000	5,000	5,000	5,300	5,618	5,618
<b>Total cost of FBS provided (minimum social package)</b>		13,049	-	-	9,200	9,200	9,200	9,752	10,337	10,337
<b><u>Highest level of free service provided</u></b>										
Property rates (R value threshold)		65,000	65,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Electricity (kwh per household per month)		100	100	100	100	100	100	100	100	100
Refuse (average litres per week)										
<b><u>Revenue cost of free services provided (R'000)</u></b>	9									
Property rates (R15 000 threshold rebate)		45,678	47,935	55,596	58,932	58,932	58,932	45,734	48,295	50,903
Property rates (other exemptions, reductions and rebates)										
Electricity/other energy		5,566	6,118		5,000	5,000	5,000	5,300	5,618	5,618
Refuse										
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
<b>Total revenue cost of free services provided (total social package)</b>	6	51,817	55,337	55,596	68,132	68,132	68,132	55,486	58,632	61,240

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
  - a. Electricity services – backlog has been reduced. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised, with all households in rural areas budgeted to be electrified in 2014/15.
  - b. Refuse services – It should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 2800 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services. The number is set to increase to 3000 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R9.8 million in 2012/13, increasing to R10.3 million in 2014/15. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R55.5 million in free services in 2012/13, and it increases to R61.2 million in 2014/15. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 8 per cent of total operating revenue.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in July 2011. Key dates applicable to the process were:

- **10 August 2011** – Joint strategic planning session of the Budget Steering Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2012/13 MTREF;
- **15 November 2011** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **13 January 2012** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **20 January 2012** – Multi-year budget proposals are submitted to the Mayor for endorsement;

- **25 January 2012** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- **9 March 2012** - Recommendations of the Mayor are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2012/13 MTREF is revised accordingly;
- **28 March 2012** - Tabling in Council of the draft 2012/13 IDP and 2012/13 MTREF for public consultation;  
**April 2012** – Public consultation;
- **30 April 2012** - Closing date for written comments;
- **2 to 4 May 2012** – finalisation of the 2012/13 IDP and 2012/13 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Act and financial framework; and
- **30 May 2012** - Tabling of the 2012/13 MTREF before Council for consideration and approval.

### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

A third generation IDP document has been compiled and it started in July 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in July.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### 2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 have been taken into consideration in the planning and prioritisation process.

### 2.1.4 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 28 March 2012 for community consultation was published on the municipality's website, and hard copies were made available at municipal offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process starting in April 2012. The date of this meeting and the one with the uMgungundlovu District Municipality will be advertised in the local media. The following notice will be published in the local media:



**MUNICIPAL NOTICE.... / 2012****TABLING OF MULTI-YEAR BUDGET 2012/2013****INTEGRATED DEVELOPMENT PLAN****PUBLIC MEETING FOR 2012/2013 BUDGET YEAR**

Notice is hereby given in terms of Chapter 4 of the Municipal Systems Act, No 32 of 2000 and Section 16(2) of the Municipal Finance Management Act, No 56 of 2003 that the Mayor of uMngeni Municipality has tabled the draft Integrated Development Plan and Multi-year Budget for the 2012/2013, 2013/2014 and 2014/2015 years at a Council Meeting held on 28 March 2012.

In terms of Section 22 of the Municipal Finance Management Act, No 56 of 2003, the budget will be made public and the local community is invited to submit representations in connection with the budget and the IDP.

Copies of the draft budget and IDP will be open for inspection at all Libraries, Municipal Offices and the Budget and Treasury Office of the Chief Financial Officer, corner Somme and Dick streets, Howick during office hours, 08h00 – 16h00 Monday to Friday. Photostat copies of the budget document can be made available at 70c per page.

Further notice is also hereby given in terms of Chapter 4 of the Municipal Systems Act, No 32 of 2000 and Section 23 (1)(a) of the Municipal Finance Management Act, No 56 of 2003, that the following public meetings will take place to show case budget highlights from the uMngeni Municipality Multi-year Budget for the 2012/2013, 2013/2014 and 2014/2015 financial years. At this meeting the Integrated Development Plan will also be presented.

<b>Venue</b>	<b>Date:</b>	<b>Time:</b>
Howick (Ward Committee Members only) Council Chambers c/o Dicks and Somme Street Howick	14 April 2012	10h00
Public meeting with uMgungundlovu District Municipality Indoor Sport Centre, Howick	22 April 2012	10h00

The closing date for input / comments on the draft budget and IDP is 30 April 2012 as Council will consider the approval of the budget and IDP on 30 May 2012.

**H.S. BUTHELEZI**

ACTING MUNICIPAL MANAGER

uMngeni Municipality

Corner Dicks and Somme Streets

PO Box 5

Howick, 3290

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses to the submissions received will be available on request. The inputs will be presented to Council for consideration before finalising the 2012/13 budget.

The draft 2012/13 MTREF tabled for community consultation included the following:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2012, was factored into the proposed consumer tariffs, applicable from 1 July 2012. This resulted in an increase of 13 per cent;
- The National Treasury's recommended salary increase of 5% was included in the 2012/13 MTREF.
- The 2012 Division of Revenue Bill (DORB) grant allocations were and aligned to the gazetted allocations.
- An increase of 6% in the rate randage, refuse removal tariffs and other charges

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the

municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 24 IDP Strategic Objectives**

2012/13 Financial Year	2013/14 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to uMngeni principles through a caring, accessible and accountable service	4. Foster participatory democracy and uMngeni principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide Municipality planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective Municipality cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
  - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and uMngeni principles through a caring, accessible and accountable service by:
  - Optimising effective community participation in the ward committee system; and
  - Implementing uMngeni in the revenue management strategy.
- 5.1 Promote sound governance through:
  - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

### 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole;
- and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the 2011/12 revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 25 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Goal	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand											
Revenue			150,147	170,445	215,924	222,544	226,456	206,331	219,499	236,933	254,671
Allocations to other priorities		2									
Total Revenue (excluding capital transfers and contributions)		1	150,147	170,445	215,924	222,544	226,456	206,331	219,499	236,933	254,671

**Table 26 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective	Goal	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand											
Expenditure			161,278	179,357	199,784	222,407	226,456	199,931	219,492	236,914	254,656
Allocations to other priorities											
Total Expenditure		1	161,278	179,357	199,784	222,407	226,456	199,931	219,492	236,914	254,656

**Table 27 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

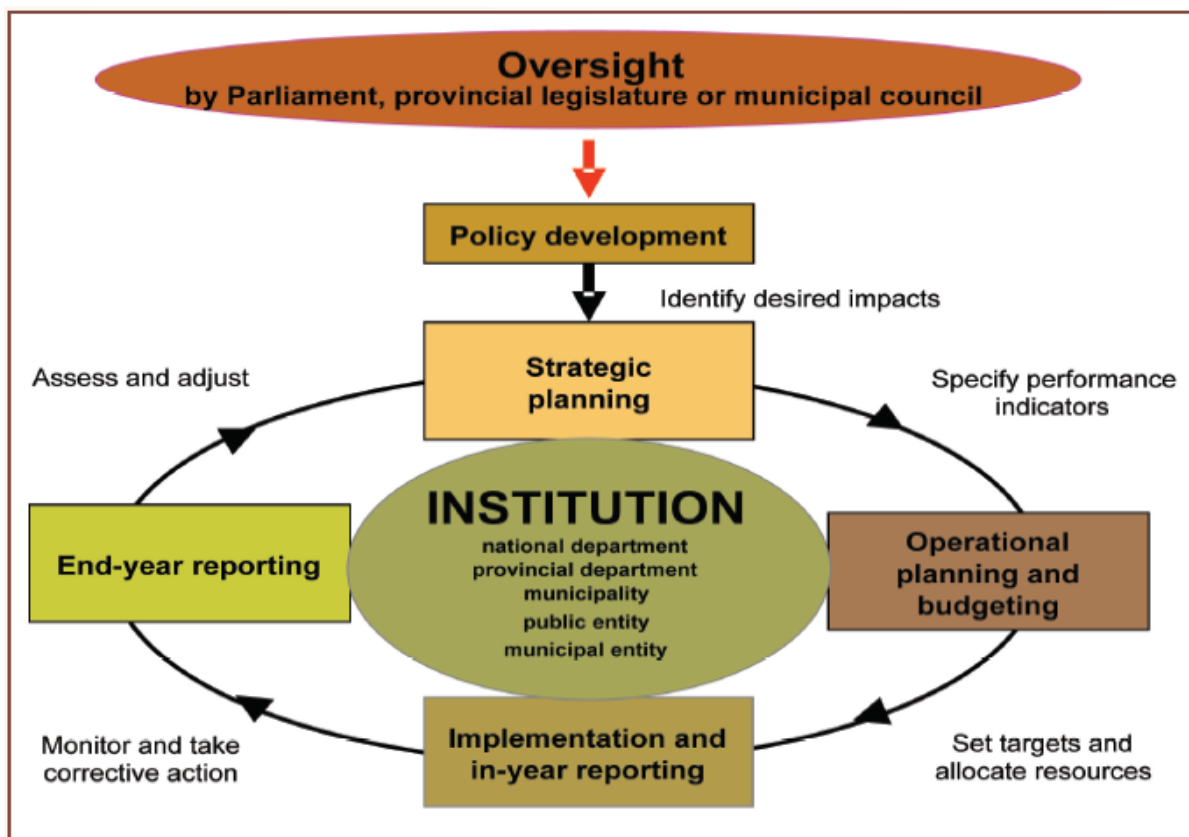
Strategic Objective	Goal	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand										
Capital works		26,390	31,230	21,558	18,506	38,509	20,367	16,190	18,184	18,884
Allocations to other priorities										
Total Capital Expenditure		26,390	31,230	21,558	18,506	38,509	20,367	16,190	18,184	18,884

## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's

performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

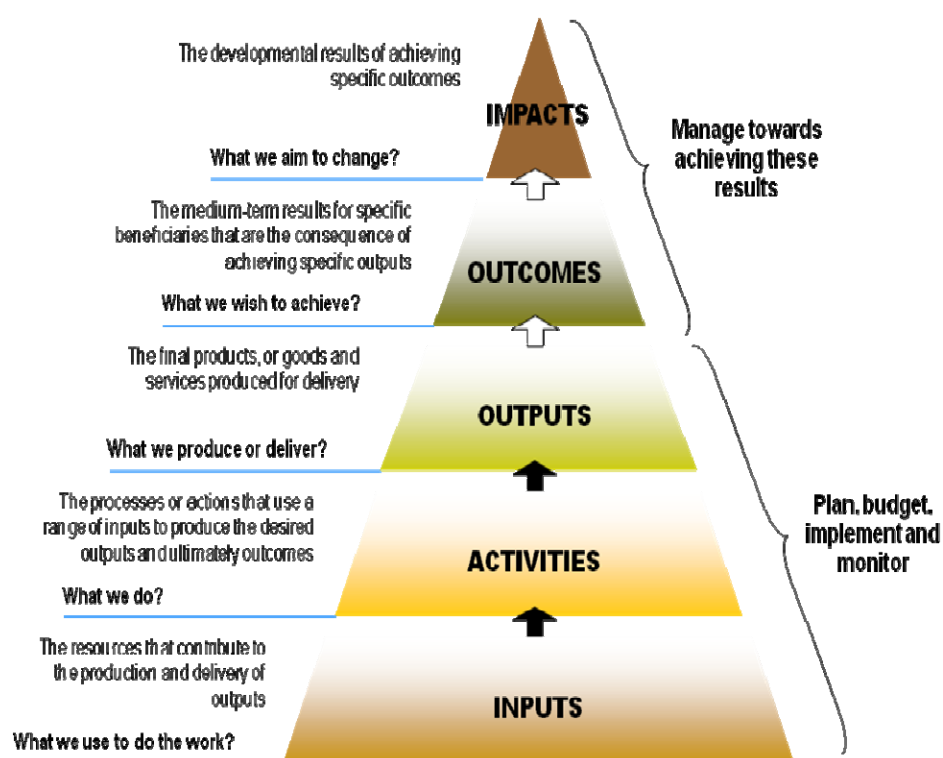


**Figure 1 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



**Figure 2 Definition of performance information concepts**

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

**Table 28 MBRR Table SA7 - Measurable performance objectives**

KEY FINANCIAL RATIOS/INDICATORS		
Financial Benchmarks	Basis of Calculation	2010/11
Debt to Asset Ratio	Total Debt/Total Assets	0.29:1
Debt to Revenue	Total Debt/Annual Income	0.23:1
Average Interest Paid on Debt	Interest Paid/Total Interest Bearing Debt	0.11:1
Capital Charges to Operating Expenditure	Interest & Principal Paid/Operating Expenditure	0.04:1
Interest as a % of Operating Expenditure	Interest Paid/Operating Expenditure	2.75%
Credit Rating	Calculated by Moody's	Baa2.za Stable
Current Ratio	Current Assets/Current Liabilities	0.9:1
Creditors System Efficiency	% of Creditors Paid within terms	95%
Electricity Distribution Losses	Total Units Purchased less Total Units Sold/Total Units Purchased	45%



The following table sets out the municipalities main performance objectives and benchmarks for the 2012/13 MTREF.

**Table 29 MBRR Table SA8 - Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.6%	2.7%	4.7%	3.7%	4.1%	3.3%	3.3%	3.6%	3.3%	3.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	4.3%	3.4%	5.7%	4.7%	5.2%	3.8%	3.8%	4.4%	4.0%	3.7%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	191.4%	196.4%	25.7%	184.6%	184.6%	26.9%	26.9%	23.1%	22.9%	19.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	1.0	1.0	0.6	0.9	0.9	0.6	0.6	0.9	1.0	0.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.0	1.0	0.6	0.9	0.9	0.6	0.6	0.9	1.0	0.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.1	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		22.0%	0.0%	0.0%	83.1%	104.8%	102.9%	102.9%	62.9%	63.1%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			21.8%	0.0%	0.0%	71.4%	102.0%	91.3%	91.3%	60.6%	58.9%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	42.4%	33.1%	22.3%	18.8%	18.8%	31.1%	31.1%	27.3%	21.9%	19.6%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	85.0%	70.0%	65.0%	70.0%	70.0%	65.0%	65.0%	80.0%	100.0%	100.0%
Creditors to Cash and Investments		166.9%	36.5%	41.2%	-3349.7%	-162.6%	-113.9%	-113.9%	-85.9%	-46.2%	-30.4%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	39.0%	40.0%	45.0%	30.0%	40.0%	40.0%	40.0%	45.0%	30.0%	30.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	34.0%	33.9%	31.5%	38.3%	38.5%	32.3%	32.3%	33.5%	32.7%	32.1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	36.4%	36.0%	33.4%	39.7%	40.9%	34.6%		38.2%	37.4%	36.7%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	3.4%	4.2%	0.0%	4.6%	4.6%	3.1%		4.2%	4.6%	4.6%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	7.2%	6.8%	6.7%	6.3%	6.4%	5.4%	5.4%	6.3%	6.0%	5.7%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	526.0	34.9	45.2	38.2	38.2	38.2	43.1	43.8	45.5	48.8
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	70.2%	59.3%	37.8%	26.0%	26.0%	47.7%	47.7%	38.2%	30.7%	27.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.9	7.1	10.0	(0.1)	(2.4)	(3.8)	(3.8)	(2.9)	(4.9)	(6.9)

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, uMngeni Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2012/13 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 3.6 per cent in 2008/09 to 4.1 per cent in 2011/12. It is estimated that the cost of borrowing as a percentage of the operating expenditure will reach 3.6 per cent in 2012/13 and will then decrease to 3.0 per cent at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is nil per cent.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The Municipality has raised mainly amortising loans over the past six years, hence effectively 'front-loading' its debt service costs. This is reflected in the Municipality's debt service profile, which predicts large debt service costs between 2012 and 2018. Debt service costs are expected to peak in 2018 due to the redemption of the last few term loans held by the Municipality.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2013/14 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

#### 2.3.1.2 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2008/09 and 2011/12 the gearing ratio peaked at 26.9 per cent. This was primarily a result of the increased borrowing levels and decreasing funds and reserves. While the gearing ratio decreases to 23.1 per cent in the 2012/13 financial year, the medium term strategy is to steadily reduce the gearing ratio to a level that does

not exceed 50 per cent as a prudential limit, hence, over the 2012/13 MTREF the ratio decreases to 19 per cent in 2014/15.

#### 2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2012/13 MTREF the current ratio is 0.9 in the 2012/13 financial year and 1.0 and 0.8 for the two outer years of the MTREF. Going forward it will be necessary to increase these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2011/12 financial year the ratio was 0 and as part of the financial planning strategy it has been increased to 0 in the 2012/13 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

#### 2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

#### 2.3.1.5 Creditors Management

- The Municipality could not manage to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has not managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a negative impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to damage the Municipality in the form of more competitive pricing of tenders, as suppliers will not compete for the Municipality's business.

#### 2.3.1.6 Other Indicators

- The electricity distribution losses have increased upwards from 40 per cent in the 2011/12 financial year to 45 per cent over the MTREF. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

For the 2012/13 financial year 2800 registered indigents have been provided for in the budget with this figured increasing to 3800 by 2014/15. In terms of the Municipality's indigent policy registered households are entitled to 100 kwh of electricity and free waste removal for all properties with a value of up to R200 000 as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement) on page 42.

## **2.4 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The following budget-related policies have been approved by Council, or have been reviewed or amended and/or are currently being reviewed/amended in line with National Guidelines and other legislation.

2.4.1 Budget Policy

2.4.2 Supply Chain Management Policy

2.4.3. Rates Policy

2.4.4 Tariff Policy

2.4.5 Credit Control & Debt Collection Policy

2.4.6 Subsistence & Travel Policy

2.4.7 Leave Policy

2.4.8 Human Resources Training & Development Policy.

2.4.9 Virement Policy

#### 2.4.10 Funding and Reserves Policy

#### 2.4.11 Cash Management and Investment Policy

#### 2.4.12 Overtime Policy

#### 2.4.13 Organisational Performance Management Policy

#### 2.4.14 Social Housing Policy

#### 2.4.15 Property Management Policy

The promulgation of the Municipal Budget and Reporting Regulations in Government Gazette No. 32141 dated 17 April 2009 is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirement for insuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes of those institutions and other relevant matters as required by the MFMA.

These regulations are effective for all Municipalities from 1 July 2010 and the budget has been compiled accordingly to be in full compliance from 1 July 2010.

In terms of section 7 of these regulations the Municipal Manager must prepare, or take all reasonable steps to ensure the preparation of the budget-related policies of the municipality, or any amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1)(b) of the Act.

#### **2.4.1 BUDGET POLICY**

The budget policy is there to assist Mayors, Councillors, Accounting Officers and Senior Managers in dealing with the changes brought about by the Municipal Finance Management Act No 56 of 2003. This policy provides a framework within which Senior Management can compile, control and review budgets of their respective departments to ensure effective financial management

#### **2.4.2 SUPPLY CHAIN MANAGEMENT POLICY**

Municipalities are required in terms of section 111 of the MFMA to have a supply chain management policy.

This policy is within the framework of the relevant legislation and regulations. The policy ascribes to the following principles:

- a. A procurement system which is fair, equitable, transparent, competitive and cost-effective in terms of section 217 of the Constitution of South Africa No. 108 of 1996
- b. As enshrined in Chapter 11 of the Municipal Finance Management Act and its regulations
- c. Best practices in supply chain management

- d. Uniformity in supply chain management systems between organs of state in all spheres
- e. Broad Based Black Economic Empowerment

#### **2.4.3 RATES POLICY**

Section 5(1) of the Municipal Property Rates Act, No. 6 of 2004 states that a municipal council must annually review, and if necessary, amend its rates policy. Any amendments must accompany the municipality's annual budget when it is tabled in the Council. The policy is designed to ensure equitable treatment by Council in the levying of rates on property owners, including owners under sectional title, as well as other persons who may become liable for the payment of rates.

#### **2.4.4 TARIFF POLICY**

The Municipal Systems Act, No 32 of 2000, requires a municipality to have a tariff determination policy. The challenge in setting tariffs lies in striking a balance between maintaining financial sustainability of the relevant departments (and so the sustainability of service provision) and ensuring affordability of those services by consumers. The municipality's tariff policy provides a broad framework where the Council can determine fair, transparent and affordable service charges that also promote sustainability of service provision. The policy is based on principles that address the social, economic and financial imperatives that the process of tariff setting should take account of.

#### **2.4.5 CREDIT CONTROL & DEBT COLLECTION POLICY**

The municipality's credit control and debt collection policy provides the procedures and mechanisms for credit control and for the collection of debts. The primary objective of this policy is to ensure that all monies due and payable to the municipality in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly.

#### **2.4.6 SUBSISTANCE AND TRAVEL POLICY**

The purpose of this policy is to determine guidelines for Councillors and officials for the payment of travelling and subsistence allowances when performing official functions on behalf of the Municipality.

#### **2.4.7 LEAVE POLICY**

The leave policy for uMngeni Municipality was adopted by Council in January 2009 and the goal is to ensure that the services rendered by this municipality to the community are efficient, effective and uninterrupted.

The objections are as follows:

- (i) Ensure continuity in operational requirements of the organisation while other employees are on leave.
- (ii) To develop a better understanding regarding leave policy and procedure.
- (iii) Ensure the development of clearly written administrative policy and procedure.
- (iv) To ensure proper and accurate record keeping.
- (v) To ensure that the private and confidential information is maintained.
- (vi) Ensure that leave policy respond effectively to crisis and emergency situations.

#### **2.4.8      HUMAN RESOURCE TRAINING AND DEVELOPMENT POLICY**

This policy deals with the process whereby people acquire the necessary knowledge and skills to perform delegated tasks. The objective is to ensure that the municipality is served by professional, competent, and productive employees who will have, through continuous improvement in skills and attitude facilitated by the Training Division, distinguish themselves of being capable of delivering high quality services to all people in an endeavour to achieve the municipal strategic objectives.

#### **2.4.9      VIREMENT POLICY**

This policy's objective is to allow flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

#### **2.4.10     FUNDING AND RESERVES POLICY**

The funding and reserves policy is aimed at ensuring that the municipality procures sufficient and cost effective funding in order to achieve it's capital expenditure objectives in a optimum manner. The policy is adhered to in the procurement of funding for the municipality having due regard to the assets and liability maturity profile of the municipality

#### **2.4.11     CASH MANAGEMENT AND INVESTMENT POLICY**

Section 13(2) of the MFMA requires that a municipality have a policy dealing with cash management and investment. The municipality's cash management and

investment policy is developed within the framework of the MFMA.

#### **2.4.12 OVERTIME POLICY**

This policy is to ensure that a clear policy guideline is established for all employees of the municipality for working overtime and performing standby duties.

#### **2.4.13 ORGANISATIONAL PERFORMANCE MANAGEMENT POLICY**

The Performance Management System (PMS) is aimed at:

Providing Guidelines on the effective implementation and maintenance of a single and uniform performance management process within uMngeni Municipality;

Ensuring that every employee's output is optimized in terms of quality and quantity, thereby improving uMngeni Municipality's overall performance and service delivery;

Ensuring that individual employee performance is evaluated fairly and objectively;

Ensuring that categories of performance that exceed expectations are recognized, and;

Also ensuring that categories of performance that do not meet expectations are managed.

#### **2.4.14 SOCIAL HOUSING POLICY**

The objectives of this Social Housing Policy for uMngeni Municipality are as follows;

To address the housing backlog in the uMngeni municipal area

To ensure that housing beneficiaries are given a choice in respect of the housing types that will suite their life styles and requirements

To facilitate the development and rejuvenation of the town of Howick through social housing development

uMngeni Municipality also intends to facilitate the institution of a Social Housing Company that will be responsible for driving and championing social housing projects within the Municipal area through the social housing policy

This policy seeks to address the imbalances of the past which were a result of the promulgation of policies under the apartheid regime that granted specifically located land for racial segregation as such policies were also determining the urban landscape.

The acceptance of this policy by uMngeni Municipality's EXCO will enable the Municipality and other role-players in the social housing sector to work co-operatively towards improving and upgrading the municipal infrastructure in the identified restructuring zones so that new social



housing projects have easy access to services as per Chapter 2, section 5 (iii) of the Social Housing Policy, 2006.

To ensure access to funding for social housing development is not interrupted by a lack of policy framework within the municipal structure/municipality

The policy is intended to create an enabling environment for the Municipality to enter into performance agreements with social housing institutions that will be responsible for the overall management of social housing stock within uMngeni Municipality

All the above policies are available at the Municipal Offices in Howick, Hilton, Mpophomeni and Howick West, all the libraries in Howick, Howick West, Hilton and Mpophomeni as well as on the municipality's website [www.umngeni.gov.za](http://www.umngeni.gov.za).

#### **2.4.15 PROPERTY MANAGEMENT POLICY**

The objectives of this policy are:

- To ensure the effectiveness and efficient control, utilisation, safeguarding and strategic property management of municipality's immovable property (property, plant and equipment).
- To ensure asset managers (property managers) are aware of their responsibilities with regards to property, plant and equipment.
- To set out standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation.
- To specify the process required before expenditure on property, plant equipment occurs.
- To emphasize a culture of transparency and accountability over assets.
- To ensure compliance with all legislative, policies, by laws and accounting prescriptions and requirements.

## **2.4 Overview of budget assumptions**

### **2.5.1 External factors**

The South African economy has averaged about 3 per cent growth a year since 2009. Against the background of the slowdown in the global economy, real GDP growth is likely to fall to about 2.7 per cent in 2012.

A recovery of up to 3.6 per cent and 4.2 per cent growth in 2013 and 2014 is expected, but these are modest rates of expansion relative to the social and developmental challenges we face and the opportunities that our mineral wealth and human capabilities offer.

There was a welcome recovery in job creation during 2011, but unemployment has not yet returned to its 2008 peak and the unemployment rate remains high at 23.9 per cent.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### 2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 33.5 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC has not yet been concluded with the municipal workers unions and must be noted. Provision was made for a 5% increase.

### 2.5.3 Credit rating outlook

**Table 30 Credit rating outlook**

Security class	Currency	Rating	Annual rating 2010/11	Previous Rating
Short term	Rand	Prime -1	30 November 2011	Prime -1
Long-term	Rand	Baa2.za	30 November 2011	Baa2.za
Outlook	Rand	Negative	30 November 2011	Negative

The rating definitions are:

- Short term : Prime – 1  
Short-Term Debt Ratings (maturities of less than one year)  
Prime-1 (highest quality)
- Long-term : Baa2.za

### 2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2012/13 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the

compilation of the 2013/14 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

### **2.5.5 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (67 per cent) of annual billings. Cash flow is assumed to be 67 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **2.5.6 Growth or decline in tax base of the municipality**

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

### **2.5.7 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2010 and has ended. An across the board increase of 5 per cent has been provided for as per Circular 58 and 59 from National Treasury.

### **2.5.8 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### 2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 80 per cent is achieved on operating expenditure and 80 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

## 2.6 Overview of budget funding

### 2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**Table 31 Breakdown of the operating revenue over the medium-term**

Description R thousand	2012/13 Medium Term Revenue & Expenditure Framework					
	2012/13	%	2013/14	%	2014/15	%
Property Rates	94,238	42.9%	99,515	42.0%	104,889	41.2%
Penalties Imposed	3,419	1.6%	3,611	1.5%	3,806	1.5%
User Charges for Services	58,561	26.7%	65,342	27.6%	72,825	28.6%
Rent of Facilities & Equipment	1,002	0.5%	1,058	0.4%	1,115	0.4%
Interest Earned- External Investments	300	0.1%	300	0.1%	300	0.1%
Interest Earned- Outstanding Debtors	1,009	0.5%	1,066	0.4%	1,123	0.4%
Fines	6,263	2.9%	6,612	2.8%	6,971	2.7%
Licences & Permits	1,879	0.9%	1,984	0.8%	2,091	0.8%
Operating Grants & Subsidies	39,707	18.1%	44,008	18.6%	47,793	18.8%
Other Income	13,121	6.0%	13,440	5.7%	13,761	5.4%
<b>Total Operating Revenue</b>	<b>219,499</b>	<b>100.0%</b>	<b>236,935</b>	<b>100.0%</b>	<b>254,675</b>	<b>100.0%</b>
<b>Total Operating Expenditure</b>	<b>219,491</b>		<b>236,917</b>		<b>254,660</b>	
<b>Surplus/(Deficit)</b>	<b>8</b>		<b>18</b>		<b>15</b>	

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity, solid waste removal, property rates, operating grants from organs of state and other minor charges (such as building plan fees, licenses, fines and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;

- National Treasury guidelines;
- Electricity tariff increases within the National Energy Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2011/12 MTREF on the different revenue categories are:

**Table 32 Proposed tariff increases over the medium-term**

Revenue category	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2014/15propos ed tariff increase	2012/13 additional revenue for each % tariff increase	2013/14 additional revenue owing to % tariff increase	2014/15 additional revenue owing to % tariff increase
	%	%	%	R'000	R'000	R'000
Property rates	6	6	6	R5.100	R5.406	R5.730
Solid Waste	6	6	6	R450	R487	R496
Electricity	11	11	11	R5.889	R6.294	R6.987
<b>Total</b>				<b>R11.439</b>	<b>R12187</b>	<b>R13213</b>

Revenue to be generated from property rates is R94.2 million in the 2012/13 financial year and increases to R104.9 million by 2014/15 which represents 42.9 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections and appeals, although the Valuations Appeals Board has dealt with a limited number of these it is anticipated that the process will only be concluded during the 2012/13 MTREF. As the levying of property rates is considered a strategic revenue source further supplementary valuation processes will be undertaken in the 2012/13 MTREF. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity and refuse removal constitutes the second biggest component of the revenue basket of the Municipality totalling R58.6 million for the 2012/13 financial year and increasing to R72.8 million by 2014/15. For the 2012/13 financial year services charges amount to 26.7 per cent of the total revenue base and increases to 28.6 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity.

Operational grants and subsidies amount to R39.7 million, R44 million and R47.8 million for each of the respective financial years of the MTREF, or 18.1, 18.6 and 18.8 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 8.2 per cent and 8.9 per cent for the two

outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

**Table 33 MBRR SA15 – Detail Investment Information**

Investment type	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand										
Parent municipality										
Securities - National Government	1									
Listed Corporate Bonds										
Deposits - Bank		963	969	3,208	1,200	1,799	1,799	1,700	1,850	2,000
Deposits - Public Investment Commissioners		7	7							
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total		970	976	3,208	1,200	1,799	1,799	1,700	1,850	2,000
Consolidated total:		970	976	3,208	1,200	1,799	1,799	1,700	1,850	2,000

**Table 34 MBRR SA16 – Investment particulars by maturity**

Investments by Maturity Name of institution & investment ID	Ref 1	Period of Investment Yrs/Months	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Monetary value Rand thousand	Interest to be realised
Parent municipality											
RMB ASSET MANAGEMENT			MONEY MARKET	yes	Fixed		0	0	n/a	1,133	
ABSA BANK		Call	CALL ACCOUNT	no	Variable		0	0	n/a	202	
ABSA BANK		Call	CALL ACCOUNT	no	Variable		0	0	n/a	183	
Municipality sub-total										1,518	-
TOTAL INVESTMENTS AND INTEREST	1									1,518	-

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R8 thousand, R18 thousand and R15 thousand in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds although this is not at all sufficient.

### 2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2012/13 medium-term capital programme:

**Table 35 Sources of capital revenue over the MTREF**

Description R thousand	2012/13 Medium Term Revenue & Expenditure Framework					
	2012/13	%	2013/14	%	2014/15	%
<b>Funded By:</b>						
National Government	16,190		17,078		18,065	
Provincial Government						
<b>Transfers recognised - capital</b>	16,190	100.0%	17,078	100.0%	18,065	100.0%
<b>Public contributions &amp; donations</b>	-		-		-	
<b>Borrowing</b>	-		-		-	
<b>Internally generated funds</b>		0.0%	-	0.0%	-	0.0%
<b>Total Capital Funding</b>	<b>16,190</b>	<b>100%</b>	<b>17,078</b>	<b>100%</b>	<b>18,065</b>	<b>100%</b>

Capital grants and receipts equates to 100 per cent of the total funding source which represents R16.2 million for the 2012/13 financial year and steadily increase to R18.1 million or 100 per cent by 2014/15. Growth relating to grant receipts is 5.5 and 5.8 per cent over the medium-term.

As explained earlier, the borrowing capacity of the Municipality has essentially reached its limits and going forward borrowing limits will remain constant.

The following table is a detailed analysis of the Municipality's borrowing liability.

**Table 36 MBRR Table SA 17 - Detail of borrowings**

Borrowing - Categorised by type R thousand	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Parent municipality</b>										
Long-Term Loans (annuity/reducing balance)		48,656	44,065	41,895			42,574	34,659	26,868	19,203
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Municipality sub-total</b>	1	48,656	44,065	41,895	-	-	42,574	34,659	26,868	19,203
<b>Total Borrowing</b>	1	48,656	44,065	41,895	-	-	42,574	34,659	26,868	19,203

<b>Unspent Borrowing - Categorised by type</b>										
<b>Parent municipality</b>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Municipality sub-total</b>	1	-	-	-	-	-	-	-	-	-
<b>Entities</b>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Entities sub-total</b>	1	-	-	-	-	-	-	-	-	-
<b>Total Unspent Borrowing</b>	1	-	-	-	-	-	-	-	-	-

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R0 million in 2012/13, R0 in 2013/14 and R0 million in 2014/15.



Table 37 MBRR Table SA 18 - Capital transfers and grant receipts

Description R thousand	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		19,370	35,742	28,567	32,500	35,822	35,822	37,602	40,685	44,288
Local Government Equitable Share		18,135	20,872	26,617	30,260	30,260	30,260	32,471	34,835	37,505
Municipal Systems Improvement Grant		735	735	750	790	790	790	800	900	950
Finance Management Grant		500	750	1,200	1,450	3,515	3,515	1,500	1,750	1,750
Provincial Government:		2,765	2,926	2,584	529	529	1,235	2,105	3,323	3,505
Municipal Clinics		1,428	2,501	1,666	-	-	396	353		
Museums		63	68	73	200	200	125	134	143	151
Libraries Cyber Cadets			96	180	143	143	196	207	217	228
Libraries STAFFING					186	186	518	1,411	2,963	3,126
LED Gijima Umngeni Business Support		14	12							
LED Gijima Umngeni Howick Falls Project		119								
LED Gijima KZN Agro Process & Benefication Project		75	15							
Map Financial Management & Internal Control		500	100							
Youth Advisory Centre (Umsobomvu Youth Fund)		226	27							
Lums Spatial Planning		100	11							
Cleanest Town Award (Agriculture & Environmental Aff)		90	96	265						
Grants DTI		150								
LED Strategy				400						
0										
District Municipality:		-	912	692	-	-	-	-	-	-
Shared Services Development Planning			912	692						
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	22,135	39,579	31,843	33,029	36,352	37,058	39,707	44,008	47,793
<b>Capital Transfers and Grants</b>										
National Government:		10,837	33,383	9,553	13,447	21,310	21,310	-	-	-
Municipal Infrastructure Grant		7,837	12,944	6,553	13,447	17,492	17,492			
Integrated National Electrification Grant (Municipal)			9,439	-	-	2,562	2,562			
Provincial Government:		-	-	-	-	-	-	-	-	-
Library Extensions										
Corridor Development Mandela Capture Site		4,000	4,000							
Link Road Construction		2,600								
Mpophomeni Library Head Count System										
Mpophomeni Gateway			2,000	3,000						
N3 Tweedie Interchange			1,000	2,500						
Inkanya Village/Cedara College Road			2,000							
Library Recapitalisation										
District Municipality:		-	-	-	-	-	-	-	-	-
Shared Services Development Planning										
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	10,837	33,383	9,553	13,447	21,310	21,310	-	-	-
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		32,972	72,962	41,396	46,476	57,662	58,368	39,707	44,008	47,793

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 38 MBRR Table A7 - Budget cash flow statement**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		29,382			127,739	182,515	157,361	157,361	108,716	113,508	125,092
Government - operating	1		50,013	38,895	32,359	33,186	33,186	33,186	39,707	44,005	47,793
Government - capital	1			12,778	23,897	13,347	13,347	13,347	16,190	18,274	18,884
Interest		125	257	481	255	717	250	250	300	300	300
Dividends											
Payments											
Suppliers and employees					(181,162)	(247,654)	(228,547)	(228,547)	(180,733)	(196,041)	(212,912)
Finance charges		(5,754)	(4,932)	(5,772)	(4,564)	(5,084)	(5,084)	(5,084)	(4,209)	(3,981)	(3,744)
Transfers and Grants	1				(1,386)	(365)	(795)	(795)	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		23,753	45,338	46,382	(2,863)	(23,338)	(30,282)	(30,282)	(20,029)	(23,935)	(24,587)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		599	999					-			
Decrease (Increase) in non-current debtors								-			
Decrease (Increase) other non-current receivables		350			21,000	5,000	20,000	20,000	4,157	8,000	8,000
Decrease (increase) in non-current investments								-			
Payments											
Capital assets					(23,897)	(18,506)	(41,313)	(41,313)	(16,190)	(18,274)	(18,884)
NET CASH FROM/(USED) INVESTING ACTIVITIES		949	999	-	(2,897)	(13,506)	(21,313)	(21,313)	(12,033)	(10,274)	(10,884)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans								-			
Borrowing long term/refinancing		4,946	3,125	-	2,500	2,000	2,000	2,000	-	3,000	-
Increase (decrease) in consumer deposits								-			
Payments											
Repayment of borrowing				(3,600)	(3,382)	(3,975)	(3,707)	(3,707)	(3,707)	(3,809)	(3,938)
NET CASH FROM/(USED) FINANCING ACTIVITIES		4,946	3,125	(3,600)	(882)	(1,975)	(1,707)	(1,707)	(3,707)	(809)	(3,938)
NET INCREASE/ (DECREASE) IN CASH HELD		29,649	49,462	42,782	(6,642)	(38,819)	(53,301)	(53,301)	(35,769)	(35,018)	(39,409)
Cash/cash equivalents at the year begin:	2		29,649	79,110	5,000	5,000	5,000	5,000	(5,000)	(40,769)	(75,787)
Cash/cash equivalents at the year end:	2	29,649	79,110	121,892	(1,642)	(33,819)	(48,301)	(48,301)	(40,769)	(75,787)	(115,195)

The above table shows that cash and cash equivalents of the Municipality were largely depleted between the 2008/09 and 2011/12 financial year moving from a positive cash balance of R29.6 million to a deficit of R1.6 million with the approved 2011/12 MTREF. With the 2011/12 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality.

For the 2012/13 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R40.7 million negative by 2012/13 and increasing to R115.2million negative by 2014/15.

#### 2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 39 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	29,649	79,110	121,892	(1,642)	(33,819)	(48,301)	(48,301)	(40,769)	(75,787)	(115,195)
Other current investments > 90 days		(33,568)	(75,455)	(120,092)	20,647	52,824	13,599	13,599	27,473	72,642	117,200
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>(3,919)</b>	<b>3,655</b>	<b>1,801</b>	<b>19,005</b>	<b>19,005</b>	<b>(34,703)</b>	<b>(34,703)</b>	<b>(13,295)</b>	<b>(3,145)</b>	<b>2,005</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		10,347	28,329	21,750	5,000	5,000	10,454	10,454	10,000	10,000	10,000
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	-	-	-	-	-	-	-	-	-
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/inve	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>10,347</b>	<b>28,329</b>	<b>21,750</b>	<b>5,000</b>	<b>5,000</b>	<b>10,454</b>	<b>10,454</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Surplus(shortfall)</b>		<b>(14,267)</b>	<b>(24,673)</b>	<b>(19,949)</b>	<b>14,005</b>	<b>14,005</b>	<b>(45,156)</b>	<b>(45,156)</b>	<b>(23,295)</b>	<b>(13,145)</b>	<b>(7,995)</b>

From the above table it can be seen that the cash and investments available total R13.3million negative in the 2012/13 financial year and progressively increase to R2 million positive by 2014/15, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is

obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2011/12 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. For the 2012/13 financial year no provision has been made for this liability as the total unspent conditional grant liability of R10.5 million has been factored into the 2012/13 capital programme of the Municipality. The Municipality has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.

- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year-end obligations. The liability in this regard totalled R0 million for the 2012/13 financial year.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2011/12 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Against other provisions an amount R0 million has been provided for the 2012/13 financial year and this increases to R0 million by 2014/15. This liability is informed by, amongst others, the supplementary pension liability.
- Long term investments consist primarily of the sinking funds for the repayment of future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a deficit against the cash backed and accumulated surpluses reconciliation. The level of non cash-backing progressively increased over the period 2008/09 to 2011/12 to R14 million in 2011/12. The municipality has essentially depleted all cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the Municipality. As part of the planning strategy, this deficit needs to be aggressively managed downwards and as part of the medium term planning objectives. It is aimed that by 2014/15 this deficit would have been significantly reduced translating into a deficit of R8 million. It needs to be noted that for all practical purposes the 2011/12 MTREF was unfunded when considering the funding requirements of section 18 and 19 of the MFMA. The 2012/13 MTREF has been informed by ensuring the financial plan meets the minimum

requirements of the MFMA. However, from a practical perspective it would not be possible to eradicate this deficit in one financial year hence the phased approach over the MTREF. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

### 2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 40 MBRR SA10 – Funding compliance measurement**

Description	MFMA section	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
Funding measures												
Cash/cash equivalents at the year end - R'	18(1)b	1	29,649	79,110	121,892	(1,642)	(33,819)	(48,301)	(48,301)	(40,769)	(75,787)	(115,195)
Cash + investments at the yr end less appl	18(1)b	2	(47,996)	(53,572)	(70,144)	(12,388)	(120)	(41,603)	(41,603)	(21,954)	(17,503)	(12,718)
Cash year end/monthly employee/supplier	18(1)b	3	2.9	7.1	10.0	(0.1)	(2.4)	(3.8)	(3.8)	(2.9)	(4.9)	(6.9)
Surplus/(Deficit) excluding depreciation offs	18(1)	4	9,166	12,988	16,139	135	61	15,301	15,301	16,198	18,292	18,899
Service charge rev % change - macro CPI	18(1)a,(2)	5	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash receipts % of Ratepayer & Other reve	18(1)a,(2)	6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt impairment expense as a % of total b	18(1)a,(2)	7	8.4%	2.5%	3.9%	2.0%	2.0%	2.2%	2.2%	1.9%	1.5%	1.4%
Capital payments % of capital expenditure	18(1)c:19	8	0.0%	0.0%	0.0%	129.1%	48.1%	202.8%	202.8%	100.0%	100.5%	100.0%
Borrowing receipts % of capital expenditure	18(1)c	9	55.8%	43.6%	0.0%	49.4%	0.0%	227.8%	227.8%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted alloc	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr	18(1)a	11	N.A.	(12.1%)	(24.4%)	(16.8%)	0.0%	60.1%	0.0%	49.8%	(13.3%)	(3.8%)
Long term receivables % change - incr(dec)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	3.1%	3.8%	0.0%	4.5%	3.9%	1.6%	2.4%	2.3%	2.6%	2.7%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

#### 2.6.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2012/13 MTREF shows R40.8 million, R75.8 million and R115.2 million negative for each respective financial year.

#### *2.6.5.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 21, on page 30. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.6.5.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2008/09 to 2011/12, moving from 2.9 to (0.1) with the adopted 2011/12 MTREF. As part of the 2012/13 MTREF the municipalities decreasing cash position causes the ratio to move to (2.9) and then increases to (6.9) for the outer years. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

#### *2.6.5.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2012/13 MTREF the indicative outcome is a surplus of R16.2 million, R18.3 million and R18.9 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

#### *2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 0, 0 and 0 per cent for the respective financial year of the 2012/13 MTREF. Considering the

lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 11 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

#### *2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 0, 0 and 0 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 67 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *2.6.5.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 1.9, 1.5 and 1.4 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *2.6.5.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 0 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0, 0 and 0 per cent of own funded capital.

#### *2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could

indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

#### *2.6.5.11 Consumer debtors change (Current and Non-current)*

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

#### *2.6.5.12 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 55 MBRR SA34C on page 93.

#### *2.6.5.13 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 54 MBRR SA34b on page 91.



## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 41 MBRR SA19 - Expenditure on transfers and grant programmes**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand										
<b>EXPENDITURE:</b>	<b>1</b>									
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		19,370	35,742	28,567	32,500	35,822	35,822	37,602	40,685	44,288
Local Government Equitable Share		18,135	20,872	26,617	30,260	30,260	30,260	32,471	34,835	37,505
Municipal Systems Improvement Grant		735	735	750	790	790	790	800	900	950
Finance Management Grant		500	750	1,200	1,450	3,515	3,515	1,500	1,750	1,750
Municipal Clinics		1,428	2,501	1,666	-	-	396	353		
Museums		63	68	73	200	200	125	134	143	151
Libraries Cyber Cadets			96	180	143	143	196	207	217	228
LED Gijima Umngeni Business Support		14	12							
LED Gijima Umngeni Howick Falls Project		119								
LED Gijima KZN Agro Process & Benefication Project		75	15							
Map Financial Management & Internal Control		500	100							
Youth Advisory Centre (Umsobomvu Youth Fund		226	27							
Lums Spatial Planning		100	11							
Cleanest Town Award ( Agriculture & Environmental Affairs		90	96	265						
Grants DTI		150								
LED Strategy				400						
District Municipality:		-	912	692	-	-	-	-	-	-
Shared Services Development Planning			912	692						
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants:</b>		<b>22,135</b>	<b>39,579</b>	<b>31,843</b>	<b>33,029</b>	<b>36,352</b>	<b>37,058</b>	<b>39,707</b>	<b>44,008</b>	<b>47,793</b>
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		10,837	33,383	9,553	13,447	21,310	21,310	16,190	18,184	18,884
Municipal Infrastructure Grant		7,837	12,944	6,553	13,447	17,492	17,492	16,190	17,078	18,065
Integrated National Electrification Grant (Municipal)			9,439	-	-	2,562	2,562	-	1,106	819
Neighbourhood development Partnership		3,000	11,000	3,000	-	1,257	1,257			
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Shared Services Development Planning										
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		<b>10,837</b>	<b>33,383</b>	<b>9,553</b>	<b>13,447</b>	<b>21,310</b>	<b>21,310</b>	<b>16,190</b>	<b>18,184</b>	<b>18,884</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>32,972</b>	<b>72,962</b>	<b>41,396</b>	<b>46,476</b>	<b>57,662</b>	<b>58,368</b>	<b>55,897</b>	<b>62,192</b>	<b>66,677</b>

**Table 42 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds**

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		283	706	1,318	2,065	2,065	2,065			
Current year receipts		19,370	22,357	28,567	32,799	32,799	32,799	37,602	40,685	44,288
<b>Conditions met - transferred to revenue</b>		<b>19,653</b>	<b>23,064</b>	<b>29,885</b>	<b>34,864</b>	<b>34,864</b>	<b>34,864</b>	<b>37,602</b>	<b>40,685</b>	<b>44,288</b>
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		4,544	2,363	1,547	870	870	870			
Current year receipts		2,766	2,926	2,584	729	729	2,585	2,105	3,323	3,505
<b>Conditions met - transferred to revenue</b>		<b>7,310</b>	<b>5,288</b>	<b>4,130</b>	<b>1,600</b>	<b>1,600</b>	<b>3,455</b>	<b>2,105</b>	<b>3,323</b>	<b>3,505</b>
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year		64	73	-	-	-	-			
Current year receipts		-	912	692	-	-	-			
<b>Conditions met - transferred to revenue</b>		<b>64</b>	<b>985</b>	<b>692</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		348	-	468	-	-	-			
Current year receipts		6	30	-	-	-	-			
<b>Conditions met - transferred to revenue</b>		<b>354</b>	<b>30</b>	<b>468</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		<b>27,381</b>	<b>29,368</b>	<b>35,176</b>	<b>36,464</b>	<b>36,464</b>	<b>38,320</b>	<b>39,707</b>	<b>44,008</b>	<b>47,793</b>
<b>Total operating transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		337	1,463	13,757	7,863	7,863	7,863			
Current year receipts		10,837	33,383	9,553	12,629	21,210	21,210	16,190	18,184	18,884
<b>Conditions met - transferred to revenue</b>		<b>11,174</b>	<b>34,846</b>	<b>23,310</b>	<b>20,492</b>	<b>29,074</b>	<b>29,074</b>	<b>16,190</b>	<b>18,184</b>	<b>18,884</b>
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year		36	3,117	9,834	10,951	10,951	10,951			
Current year receipts		-	9,000	5,500	-	-	-			
<b>Conditions met - transferred to revenue</b>		<b>36</b>	<b>12,117</b>	<b>15,334</b>	<b>10,951</b>	<b>10,951</b>	<b>10,951</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-			
Current year receipts		-	-	-	-	-	-			
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year		-	-	-	-	-	-			
Current year receipts		-	-	-	-	-	-			
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>Total capital transfers and grants revenue</b>		<b>11,210</b>	<b>46,963</b>	<b>38,644</b>	<b>31,443</b>	<b>40,025</b>	<b>40,025</b>	<b>16,190</b>	<b>18,184</b>	<b>18,884</b>
<b>Total capital transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		<b>38,591</b>	<b>76,331</b>	<b>73,820</b>	<b>67,907</b>	<b>76,489</b>	<b>78,344</b>	<b>55,897</b>	<b>62,192</b>	<b>66,677</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2.8 Councillor and employee benefits

**Table 43 MBRR SA22 - Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		4,011	4,067	4,198	4,778	5,300	5,054	5,426	5,730	6,040
Pension and UIF Contributions										
Medical Aid Contributions										
Motor Vehicle Allowance										
Cellphone Allowance										
Housing Allowances										
Other benefits and allowances										
<b>Sub Total - Councillors</b>		4,011	4,067	4,198	4,778	5,300	5,054	5,426	5,730	6,040
% increase	4		1.4%	3.2%	13.8%	10.9%	(4.6%)	7.4%	5.6%	5.4%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		7,420	8,239	7,106	8,273	8,273	5,552	7,082	7,479	7,883
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Senior Managers of Municipality</b>		7,420	8,239	7,106	8,273	8,273	5,552	7,082	7,479	7,883
% increase	4		11.0%	(13.8%)	16.4%	-	(32.9%)	27.6%	5.6%	5.4%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		36,059	39,051	42,961	52,982	55,403	42,775	51,841	54,744	57,700
Pension and UIF Contributions		7,706	8,343	8,438	7,140	7,140	6,934	9,351	9,874	10,407
Medical Aid Contributions				825	2,896	2,896	2,494	2,631	2,778	2,928
Overtime		843	804	3,551	2,996	2,996	3,559	2,439	2,576	2,715
Performance Bonus				3,892	3,810	3,810	3,736	3,996	4,220	4,447
Motor Vehicle Allowance	3	338	236	818	766	766	818	834	881	928
Cellphone Allowance	3	3,728	4,613	59	58	58	58	54	57	60
Housing Allowances	3			205	202	202	229	244	257	271
Other benefits and allowances	3	1,855	3,824	76	438	438	101			
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Other Municipal Staff</b>		50,528	56,871	60,824	71,288	73,709	60,704	71,389	75,387	79,458
% increase	4		12.6%	7.0%	17.2%	3.4%	(17.6%)	17.6%	5.6%	5.4%
<b>Total Parent Municipality</b>		61,959	69,177	72,127	84,339	87,282	71,310	83,898	88,596	93,380
			11.6%	4.3%	16.9%	3.5%	(18.3%)	17.7%	5.6%	5.4%
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		61,959	69,177	72,127	84,339	87,282	71,310	83,898	88,596	93,380
% increase	4		11.6%	4.3%	16.9%	3.5%	(18.3%)	17.7%	5.6%	5.4%
<b>TOTAL MANAGERS AND STAFF</b>	5	57,948	65,109	67,930	79,561	81,982	66,255	78,472	82,866	87,341

**Table 44 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4	1	151,475	60,548	83,008			295,031
Chief Whip								-
Executive Mayor			367,350	114,517	180,405			662,272
Deputy Executive Mayor			151,475	60,548	83,010			295,033
Executive Committee			140,872	57,898	78,593			277,363
Total for all other councillors			1,949,927	851,485	1,095,160			3,896,572
<b>Total Councillors</b>	8	1	2,761,099	1,144,996	1,520,176			5,426,271
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)			1,244,034					1,244,034
Chief Finance Officer			973,680					973,680
General Manager:Technical Services			977,892					977,892
General Manager:Community Services			977,892					977,892
General Manager - Corporate Services			977,774					977,774
General Manager:Planning and Development			973,679					973,679
<i>List of each official with packages &gt;= senior manager</i>								
General Manager:Internal Audit			957,275					957,275
								-
								-
								-
<b>Total Senior Managers of the Municipality</b>	8	-	7,082,226	-	-	-	-	7,082,226
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>		1	9,843,325	1,144,996	1,520,176	-		12,508,497

**Table 45 MBRR SA24 – Summary of personnel numbers**

Summary of Personnel Numbers		2009/10			Current Year 2010/11			Budget Year 2011/12		
Number	Ref	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)			21			21			23	
Board Members of municipal entities	4									
<b>Municipal employees</b>	5									
Municipal Manager and Senior Managers	3			9			9			6
Other Managers	7			30			30			28
Professionals		–	7	–	–	7	–	–	6	–
<i>Finance</i>			5			5			5	
<i>Spatial/town planning</i>			1			1			1	
<i>Information Technology</i>										
<i>Roads</i>										
<i>Electricity</i>										
<i>Refuse</i>										
<i>Other</i>			1			1			–	
Technicians		–	39	–	–	39	–	–	29	–
<i>Finance</i>										
<i>Spatial/town planning</i>										
<i>Information Technology</i>										
<i>Roads</i>			39			39			29	
<i>Electricity</i>										
<i>Refuse</i>										
<i>Other</i>										
Clerks (Clerical and administrative)			66			66			69	
Service and sales workers			7			7			7	
Skilled agricultural and fishery workers										
Craft and related trades			10			10			10	
Plant and Machine Operators			32			32			29	
Elementary Occupations			151			151			183	
<b>TOTAL PERSONNEL NUMBERS</b>		–	333	39	–	333	39	–	356	34
% Increase					–	–	–	–	6.9%	(12.8%)
<b>Total municipal employees headcount</b>	6									
Finance personnel headcount	8									
Human Resources personnel headcount	8									

## **2.9 Monthly targets for revenue, expenditure and cash flow**

**Table 46 MBRR SA25 - Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2012/13												2012/13 Medium Term Revenue & Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Revenue By Source</b>																
Property rates		7,853	7,853	7,853	7,853	7,853	7,853	7,853	7,853	7,853	7,853	7,853	7,853	94,238	99,515	104,889
Property rates - penalties & collection charges		285	285	285	285	285	285	285	285	285	285	285	285	3,419	3,611	3,806
Service charges - electricity revenue		4,572	4,572	4,572	4,572	4,572	4,572	4,572	4,572	4,572	4,572	4,572	4,572	54,858	61,152	68,139
Service charges - refuse revenue		309	309	309	309	309	309	309	309	309	309	309	309	3,703	4,190	4,686
Rental of facilities and equipment		83	83	83	83	83	83	83	83	83	83	83	83	1,002	1,058	1,115
Interest earned - external investments		25	25	25	25	25	25	25	25	25	25	25	25	300	300	300
Interest earned - outstanding debtors		84	84	84	84	84	84	84	84	84	84	84	84	1,009	1,066	1,123
Fines		522	522	522	522	522	522	522	522	522	522	522	522	6,263	6,612	6,971
Licences and permits		157	157	157	157	157	157	157	157	157	157	157	157	1,879	1,984	2,091
Transfers recognised - operational		3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	39,707	44,008	47,793
Other revenue		1,093	1,093	1,093	1,093	1,093	1,093	1,093	1,093	1,093	1,093	1,093	1,093	13,121	13,440	13,761
Gains on disposal of PPE														-	-	-
<b>Total Revenue (excluding capital transfers and</b>		<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>219,499</b>	<b>236,935</b>	<b>254,675</b>
<b>Expenditure By Type</b>																
Employee related costs		6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	73,437	77,550	81,738
Remuneration of councillors		452	452	452	452	452	452	452	452	452	452	452	452	5,426	5,730	6,040
Debt impairment		250	250	250	250	250	250	250	250	250	250	250	250	3,000	2,500	2,500
Depreciation & asset impairment		809	809	809	809	809	809	809	809	809	809	809	809	9,704	10,248	10,801
Finance charges		351	351	351	351	351	351	351	351	351	351	351	351	4,209	3,981	3,744
Bulk purchases		4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	58,865	67,989	77,507
Contracted services		417	417	417	417	417	417	417	417	417	417	417	417	5,000	5,280	5,565
Transfers and grants														-	-	-
Other expenditure		4,988	4,988	4,988	4,988	4,988	4,988	4,988	4,988	4,988	4,988	4,988	4,988	59,850	63,640	66,766
Loss on disposal of PPE														-	-	-
<b>Total Expenditure</b>		<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>219,491</b>	<b>236,917</b>	<b>254,660</b>
<b>Surplus/(Deficit)</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>8</b>	<b>18</b>	<b>15</b>
Transfers recognised - capital		1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,342	16,190	18,274	18,884
Contributions recognised - capital														-	-	-
Contributed assets														-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,343</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,350</b>	<b>1,343</b>	<b>16,198</b>	<b>18,292</b>	<b>18,899</b>

**Table 47 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

Description	Ref	Budget Year 2012/13												2012/13 medium term Revenue & Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Revenue by Vote</b>																
Vote 1 - Executive and Council		10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	126,121	133,611	142,316
Vote 2 - Budget and Treasury Office		214	214	214	214	214	214	214	214	214	214	214	214	2,572	2,863	2,904
Vote 3 - Corporate Services		122	122	122	122	122	122	122	122	122	122	122	122	1,470	1,552	1,636
Vote 4 - Planning and Development		83	83	83	83	83	83	83	83	83	83	83	83	995	1,051	1,107
Vote 5 - Community Services		831	831	831	831	831	831	831	831	831	831	831	831	9,976	12,008	12,659
Vote 6 - Technical Services		1,315	1,315	1,315	1,315	1,315	1,315	1,315	1,315	1,315	1,315	1,315	1,315	15,786	16,667	17,565
Vote 7 - Economic Development and Growth		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Internal Audit		63	63	63	63	63	63	63	63	63	63	63	63	750	792	835
Vote 9 - Electricity		5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	61,829	68,389	75,649
<b>Total Revenue by Vote</b>		<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>18,292</b>	<b>219,499</b>	<b>236,933</b>	<b>254,671</b>
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - Executive and Council		2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	2,419	29,034	29,910	31,358
Vote 2 - Budget and Treasury Office		1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	16,616	17,707	18,563
Vote 3 - Corporate Services		1,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	1,017	12,204	12,803	13,446
Vote 4 - Planning and Development		458	458	458	458	458	458	458	458	458	458	458	458	5,495	5,853	6,218
Vote 5 - Community Services		2,307	2,307	2,307	2,307	2,307	2,307	2,307	2,307	2,307	2,307	2,307	2,307	27,682	29,502	31,036
Vote 6 - Technical Services		3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	3,649	43,786	46,454	48,611
Vote 7 - Economic Development and Growth		169	169	169	169	169	169	169	169	169	169	169	169	2,028	2,136	2,246
Vote 8 - Internal Audit		209	209	209	209	209	209	209	209	209	209	209	209	2,505	2,645	2,788
Vote 9 - Electricity		6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	80,143	89,904	100,390
<b>Total Expenditure by Vote</b>		<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>18,291</b>	<b>219,492</b>	<b>236,914</b>	<b>254,656</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>8</b>	<b>19</b>	<b>15</b>
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>8</b>	<b>19</b>	<b>15</b>



**Table 48 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

Description	Ref	Budget Year 2012/13												2012/13 medium term Revenue & Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Revenue - Standard</b>																
<i>Governance and administration</i>		10,907	10,907	10,907	10,907	10,907	10,907	10,907	10,907	10,907	10,907	10,907	10,907	130,883	138,786	147,656
Executive and council		10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	10,510	126,121	133,611	142,316
Budget and treasury office		214	214	214	214	214	214	214	214	214	214	214	214	2,572	2,863	2,904
Corporate services		182	182	182	182	182	182	182	182	182	182	182	182	2,189	2,311	2,436
<i>Community and public safety</i>		838	838	838	838	838	838	838	838	838	838	838	838	10,060	12,097	12,752
Community and social services		159	159	159	159	159	159	159	159	159	159	159	159	1,903	3,482	3,673
Sport and recreation		0	0	0	0	0	0	0	0	0	0	0	0	4	5	5
Public safety		679	679	679	679	679	679	679	679	679	679	679	679	8,153	8,610	9,075
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		248	248	248	248	248	248	248	248	248	248	248	248	2,981	3,148	3,318
Planning and development		83	83	83	83	83	83	83	83	83	83	83	83	995	1,051	1,107
Road transport		166	166	166	166	166	166	166	166	166	166	166	166	1,986	2,097	2,211
<i>Trading services</i>		6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	6,298	75,575	82,906	90,949
Electricity		5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	5,152	61,829	68,389	75,649
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	13,747	14,516	15,300
<b>Total Revenue - Standard</b>		18,292	18,292	18,292	18,292	18,292	18,292	18,292	18,292	18,292	18,292	18,292	18,292	219,499	236,936	254,676
<b>Expenditure - Standard</b>																
<i>Governance and administration</i>		4,532	4,532	4,532	4,532	4,532	4,532	4,532	4,532	4,532	4,532	4,532	4,532	54,380	56,815	59,625
Executive and council		2,343	2,343	2,343	2,343	2,343	2,343	2,343	2,343	2,343	2,343	2,343	2,343	28,115	28,940	30,336
Budget and treasury office		1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	16,616	17,707	18,563
Corporate services		804	804	804	804	804	804	804	804	804	804	804	804	9,649	10,168	10,726
<i>Community and public safety</i>		2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	34,223	36,329	38,173
Community and social services		1,218	1,218	1,218	1,218	1,218	1,218	1,218	1,218	1,218	1,218	1,218	1,218	14,618	15,356	16,127
Sport and recreation		795	795	795	795	795	795	795	795	795	795	795	795	9,534	10,353	10,861
Public safety		728	728	728	728	728	728	728	728	728	728	728	728	8,735	9,224	9,722
Housing		111	111	111	111	111	111	111	111	111	111	111	111	1,336	1,396	1,462
Health		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<i>Economic and environmental services</i>		2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192	26,307	28,604	30,242
Planning and development		616	616	616	616	616	616	616	616	616	616	616	616	7,391	7,855	8,329
Road transport		1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	18,917	20,748	21,913
<i>Trading services</i>		8,704	8,704	8,704	8,704	8,704	8,704	8,704	8,704	8,704	8,704	8,704	8,704	104,449	115,037	126,485
Electricity		6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	6,679	80,143	89,904	100,390
Waste water management		682	682	682	682	682	682	682	682	682	682	682	682	8,184	8,533	8,923
Waste management		1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	16,122	16,600	17,172
<i>Other</i>		11	11	11	11	11	11	11	11	11	11	11	11	132	134	136
<b>Total Expenditure - Standard</b>		18,291	18,291	18,291	18,291	18,291	18,291	18,291	18,291	18,291	18,291	18,291	18,291	219,492	236,917	254,661
<b>Surplus/(Deficit) before assoc.</b>		1	1	1	1	1	1	1	1	1	1	1	1	8	18	15
<b>Surplus/(Deficit)</b>	1	1	1	1	1	1	1	1	1	1	1	1	1	8	18	15

**Table 49 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

Description	Ref	Budget Year 2012/13												2012/13 Medium Term Revenue & Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Multi-year expenditure to be appropriated</b>	1															
Vote 1 - Executive and Council													-	-	-	-
Vote 2 - Budget and Treasury Office													-	-	-	-
Vote 3 - Corporate Services													-	-	-	-
Vote 4 - Planning and Development													-	-	-	-
Vote 5 - Community Services													-	-	-	-
Vote 6 - Technical Services													-	-	-	-
Vote 7 - Economic Development and Growth													-	-	-	-
Vote 8 - Internal Audit													-	-	-	-
Vote 9 - Electricity													-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>																
Vote 1 - Executive and Council													-	-	-	-
Vote 2 - Budget and Treasury Office													-	-	-	-
Vote 3 - Corporate Services													-	-	-	-
Vote 4 - Planning and Development													-	-	-	-
Vote 5 - Community Services													-	-	-	-
Vote 6 - Technical Services		1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	16,190	17,078	18,065
Vote 7 - Economic Development and Growth													-	-	-	-
Vote 8 - Internal Audit													-	-	-	-
Vote 9 - Electricity													-	-	1,106	819
<b>Capital single-year expenditure sub-total</b>	2	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	16,190	18,184	18,884
<b>Total Capital Expenditure</b>	2	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	16,190	18,184	18,884

**Table 50 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

Description	Ref	Budget Year 2012/13												2012/13 medium term revenue & expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>Capital Expenditure - Standard</b>	1															
<i>Governance and administration</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive and council														-	-	-
Budget and treasury office														-	-	-
Corporate services														-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services														-	-	-
Sport and recreation														-	-	-
Public safety														-	-	-
Housing														-	-	-
Health														-	-	-
<i>Economic and environmental services</i>		1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	16,190	17,078	18,065
Planning and development														-	-	-
Road transport		1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	16,190	17,078	18,065
Environmental protection														-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	1,106	819
Electricity														-	1,106	819
Waste water management														-	-	-
Waste management														-	-	-
<i>Other</i>														-	-	-
<b>Total Capital Expenditure - Standard</b>	2	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	1,349	16,190	18,184	18,884

**Table 51 MBRR SA30 - Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget 2012/13	Budget 2013/14	Budget 2014/15
<b>R thousand</b>															
<b>Cash Receipts By Source</b>													1		
Property rates	5,105	5,105	5,105	5,105	5,105	5,105	5,105	5,105	5,105	5,105	5,105	5,105	61,255	64,685	68,178
Property rates - penalties & collection charges	183	183	183	183	183	183	183	183	183	183	183	215	2,223	2,347	2,474
Service charges - electricity revenue	2,743	2,743	2,743	2,743	2,743	2,743	2,743	2,743	2,743	2,743	2,743	2,743	32,915	36,691	40,884
Service charges - water revenue													-	-	-
Service charges - sanitation revenue													-	-	-
Service charges - refuse revenue	201	201	201	201	201	201	201	201	201	201	201	200	2,407	2,724	3,046
Service charges - other													-	-	-
Rental of facilities and equipment	54	54	54	54	54	54	54	54	54	54	54	54	651	688	725
Interest earned - external investments	25	25	25	25	25	25	25	25	25	25	25	25	300	300	300
Interest earned - outstanding debtors	55	55	55	55	55	55	55	55	55	55	55	55	656	693	730
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	339	339	339	339	339	339	339	339	339	339	339	339	4,071	4,298	4,531
Licences and permits												1,221	1,221	1,290	1,359
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	3,309	39,707	44,008	47,793
Other revenue	252	252	252	252	252	252	252	252	252	252	252	251	3,018	3,091	3,165
<b>Cash Receipts by Source</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>12,264</b>	<b>13,517</b>	<b>148,423</b>	<b>160,813</b>	<b>173,185</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,342	16,190	18,274	18,884
<b>Total Cash Receipts by Source</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>13,614</b>	<b>19,017</b>	<b>168,770</b>	<b>187,087</b>	<b>200,069</b>
<b>Cash Payments by Type</b>															
Employee related costs	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	73,437	77,550	81,738
Remuneration of councillors	452	452	452	452	452	452	452	452	452	452	452	452	5,426	5,730	6,040
Finance charges	351	351	351	351	351	351	351	351	351	351	351	351	4,209	3,981	3,744
Bulk purchases - Electricity	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	4,905	58,865	67,989	77,507
Bulk purchases - Water & Sewer													-	-	-
Other materials													-	-	-
Contracted services	417	417	417	417	417	417	417	417	417	417	417	417	5,000	5,280	5,565
Transfers and grants - other municipalities													-	-	-
Transfers and grants - other													-	-	-
Other expenditure	3,142	3,142	3,142	3,142	3,142	3,142	3,142	3,142	3,142	3,142	3,142	3,142	37,706	39,582	42,063
<b>Cash Payments by Type</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,387</b>	<b>15,386</b>	<b>184,643</b>	<b>200,112</b>	<b>216,656</b>
<b>Other Cash Flows/Payments by Type</b>															
<b>Total Cash Payments by Type</b>	<b>16,737</b>	<b>16,737</b>	<b>17,663</b>	<b>16,737</b>	<b>16,737</b>	<b>17,663</b>	<b>16,737</b>	<b>16,737</b>	<b>17,663</b>	<b>16,737</b>	<b>16,737</b>	<b>17,655</b>	<b>204,539</b>	<b>222,105</b>	<b>239,478</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(3,123)</b>	<b>(3,123)</b>	<b>(4,050)</b>	<b>(3,123)</b>	<b>(3,123)</b>	<b>(4,050)</b>	<b>(3,123)</b>	<b>(3,123)</b>	<b>(4,050)</b>	<b>(3,123)</b>	<b>(3,123)</b>	<b>1,362</b>	<b>(35,769)</b>	<b>(35,018)</b>	<b>(39,409)</b>
Cash/cash equivalents at the month/year begin	(5,000)	(8,123)	(11,246)	(15,295)	(18,418)	(21,541)	(25,590)	(28,713)	(31,836)	(35,885)	(39,008)	(42,131)	(5,000)	(40,769)	(75,787)
Cash/cash equivalents at the month/year end:	(8,123)	(11,246)	(15,295)	(18,418)	(21,541)	(25,590)	(28,713)	(31,836)	(35,885)	(39,008)	(42,131)	(40,769)	(40,769)	(75,787)	(115,197)

## 2.10 Annual budgets and SDBIPs – internal departments

In terms of section 53(1)©(ii) the Mayor must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

The format of the SDBIP's will be as follows:

### QUARTERLY PROJECTIONS OF SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS FOR EACH VOTE

BUDGET & TREASURY OFFICE											
IDP INDICATOR NUMBER	MEASURABLE OUTPUT	PERFORMANCE MEASURE/ INDICATOR	2010/2011 TARGET VS ACTUAL								Ward
			Q1 Jul-Sep		Q2 Oct-Dec		Q3 Jan-Mar		Q4 Apr-Jun		
			Proj	Act	Proj	Act	Proj	Act	Proj	Act	
CORE FUNCTION: Municipal Transformation & Institutional Development											
	Financial Implication										
	Financial Implication										
	Financial Implication										

## 2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, the following contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

**Table 52 MBRR SA32 – List of external mechanisms**

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
ESKOM			AGENCY FEES	INDEFINATE	574,292
BYTES			SAMRAS SYSTEM	INDEFINATE	337,500
UMNGENI SPCA			GRANT	INDEFINATE	875,750
ABSA VEHICLE FINANCE			LEASING OF VEHICLES	INDEFINATE	1,385,222
TELKOM			RENTAL FOR TELEPHONE LINES	INDEFINATE	1,440
SA POST OFFICE			POSTAGE	INDEFINATE	600

## 2.12 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

**Table 53 MBRR SA 34a - Capital expenditure on new assets by asset class**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure	2	18,502	18,453	–	17,877	32,503	32,503	16,190	18,184	18,885
Infrastructure - Road transport		14,330	13,564	–	17,877	28,709	28,709	16,190	17,078	18,066
Roads, Pavements & Bridges					12,372	4,857	4,857	11,333	11,955	12,646
Storm water		14,330	13,564		5,505	23,852	23,852	4,857	5,123	5,420
Infrastructure - Electricity		4,172	4,889	–	–	3,794	3,794	–	1,106	819
Generation										
Transmission & Reticulation		4,172	4,889			3,794	3,794	–	1,106	819
Street Lighting										
Infrastructure - Other			–	–	–	–	–	–	–	–
Waste Management										
Transportation										
Gas										
Other										
Community		3	707	1,333	–	–	–	–	–	–
Parks & gardens		7	632	531						
Libraries			54	35						
Recreational facilities										
Fire, safety & emergency										
Security and policing	2		761							
Buses										
Clinics	18		3							
Museums & Art Galleries				2						
Cemeteries										
Social rental housing	8									
Other										
Heritage assets	9	–	–	–	–	2,093	2,093	–	–	–
Buildings										
Other						2,093	2,093			
Investment properties		–	–	–	–	–	–	–	–	–
Housing development										
Other										
Other assets	10	7,181	11,444	–	628	628	–	–	–	–
General vehicles										
Specialised vehicles				–		–	–	–	–	–
Civic Land and Buildings					628	628				
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other		7,181	11,444							
Agricultural assets		–	–	–	–	–	–	–	–	–
List sub-class										
Biological assets		–	–	–	–	–	–	–	–	–
List sub-class										
Intangibles		–	–	–	–	–	–	–	–	–
Computers - software & programming										
Other (list sub-class)										
Total Capital Expenditure on new assets	1	26,390	31,230	–	18,505	35,224	34,596	16,190	18,184	18,885

**Table 54 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class**



Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand	1									
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		18,621	18,453	17,297	17,877	33,466	19,700	16,190	18,184	18,884
Infrastructure - Road transport		14,330	13,564	13,346	17,877	29,672	17,803	16,190	17,078	18,065
Roads, Pavements & Bridges		14,330	13,564	13,346	12,372	23,852	14,311	11,333	11,955	12,646
Storm water					5,505	5,820	3,492	4,857	5,123	5,419
Infrastructure - Electricity		4,172	4,889	2,867	-	3,794	1,897	-	1,106	819
Generation										
Transmission & Reticulation		4,172	4,889	2,867		3,794	1,897		1,106	819
Street Lighting										
Infrastructure - Other		119	-	1,084	-	-	-	-	-	-
Waste Management		119		1,084						
Transportation										
<b>Community</b>		651	1,332	481	-	2,322	-	-	-	-
Parks & gardens		632	531	27						
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries			35							
Recreational facilities										
Fire, safety & emergency										
Security and policing			761							
Buses										
Clinics		18	3	9						
Museums & Art Galleries			2							
Cemeteries										
Social rental housing						600				
Other				444		1,722				
<b>Heritage assets</b>		-	-	3,780	-	2,093	1,047	-	-	-
Buildings				3,780		2,093	1,047			
Other										
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		7,118	11,445	-	628	628	-	-	-	-
General vehicles										
Specialised vehicles				-		-	-	-	-	-
Surplus Assets - (Investment or Inventory)										
Other		7,118	11,445							
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
List sub-class										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
List sub-class										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other (list sub-class)										
<b>Total Capital Expenditure on renewal of existing assets</b>	1	26,390	31,230	21,558	18,505	38,509	20,747	16,190	18,184	18,884
<b>Specialised vehicles</b>		-	-	-	-	-	-	-	-	-
Refuse										
Fire										
Conservancy										
Ambulances										
<b>Renewal of Existing Assets as % of total capex</b>		50.0%	50.0%	100.0%	50.0%	52.2%	37.5%	50.0%	50.0%	50.0%
<b>Renewal of Existing Assets as % of deprecn"</b>		406.6%	381.4%	247.0%	223.1%	464.3%	250.1%	166.8%	177.4%	174.8%

**Table 55 MBRR SA34c - Repairs and maintenance expenditure by asset class**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure	7	2,814	6,146	-	5,030	5,030	3,270	8,050	9,757	10,514
Infrastructure - Road transport		1,438	3,678	-	1,676	1,676	1,090	4,400	5,903	6,508
Roads, Pavements & Bridges		824	2,996		1,157	1,157	752	3,398	4,844	5,393
Storm water		614	682		519	519	337	1,002	1,058	1,116
Infrastructure - Electricity		1,376	2,468	-	3,354	3,354	2,180	3,650	3,854	4,006
Generation										
Transmission & Reticulation		1,376	2,468		3,354	3,354	2,180	3,650	3,854	4,006
Street Lighting										
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Community		2,883	1,720	-	4,633	4,633	3,011	1,138	1,202	1,267
Parks & gardens		783	1,023		952	952	619	137	145	153
Sportsfields & stadia										
Swimming pools										
Community halls		9	32		23	23	15	18	19	20
Libraries		172	213		237	237	154	20	21	23
Security and policing		190	267		271	271	176	46	48	51
Buses										
Clinics		15	13		13	13	9	-	-	-
Museums & Art Galleries		8	10		5	5	4	2	3	3
Cemeteries		75	51		49	49	32	3	3	3
Social rental housing	1	111		-	-					
Other	1,630			3,083	3,083	2,004	911	963	1,014	
Heritage assets	9	-	-	-	-	-	-	-	-	-
Buildings										
Other										
Investment properties	10	-	-	-	-	-	-	-	-	-
Housing development										
Other										
Other assets	10	154	144	-	138	138	90	-	-	-
General vehicles										
Specialised vehicles				-			-	-	-	-
Civic Land and Buildings		132	144		110	110	72			
Other Buildings		22			28	28	18			
Agricultural assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenc	1	5,851	8,010	-	9,801	9,801	6,371	9,188	10,959	11,781
Specialised vehicles		-	-	-	-	-	-	-	-	-
R&M as a % of PPE		3.1%	3.8%	0.0%			1.6%	2.3%	2.6%	2.7%
R&M as % Operating Expenditure		3.6%	4.5%	0.0%			3.2%	4.2%	4.6%	4.6%

**Table 56 MBRR SA35 - Future financial implications of the capital budget**

Vote Description	Ref	2012/13 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget 2012/13	Budget 2013/14	Budget 2014/15	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17	Present value
<b>R thousand</b>								
<b>Capital expenditure</b>	1							
Vote 1 - Executive and Council		-	-	-				
Vote 2 - Budget and Treasury Office		-	-	-				
Vote 3 - Corporate Services		-	-	-				
Vote 4 - Planning and Development		-	-	-				
Vote 5 - Community Services		-	-	-				
Vote 6 - Technical Services		16,190	17,078	18,065	19,149	20,298	21,516	22,807
Vote 7 - Economic Development and Growth		-	-	-				
Vote 8 - Internal Audit		-	-	-				
Vote 9 - Electricity		-	1,106	819	868	920	975	1,034
<b>Total Capital Expenditure</b>		<b>16,190</b>	<b>18,184</b>	<b>18,884</b>	<b>20,017</b>	<b>21,218</b>	<b>22,491</b>	<b>23,841</b>
<b>Future operational costs by vote</b>	2							
Vote 1 - Executive and Council		29,034	29,910	31,358	33,239	35,234	37,348	39,589
Vote 2 - Budget and Treasury Office		16,616	17,707	18,563	19,677	20,857	22,109	23,435
Vote 3 - Corporate Services		12,204	12,803	13,446	14,253	15,108	16,014	16,975
Vote 4 - Planning and Development		5,495	5,853	6,218	6,591	6,987	7,406	7,851
Vote 5 - Community Services		27,682	29,502	31,036	32,898	34,872	36,964	39,182
Vote 6 - Technical Services		43,786	46,454	48,611	51,528	54,619	57,896	61,370
Vote 7 - Economic Development and Growth		2,028	2,136	2,246	2,381	2,524	2,675	2,836
Vote 8 - Internal Audit		2,505	2,645	2,788	2,955	3,132	3,320	3,520
Vote 9 - Electricity		80,143	89,904	100,390	106,413	112,798	119,566	126,740
<b>Total future operational costs</b>		<b>219,492</b>	<b>236,914</b>	<b>254,656</b>	<b>269,935</b>	<b>286,131</b>	<b>303,299</b>	<b>321,497</b>
<b>Future revenue by source</b>	3							
Property rates		94,238	99,515	104,889	111,182	117,853	124,924	132,420
Property rates - penalties & collection charges		3,419	3,611	3,806	4,034	4,276	4,533	4,805
Service charges - electricity revenue		54,858	61,152	68,139	72,228	76,562	81,155	86,025
Service charges - refuse revenue		3,703	4,190	4,686	4,967	5,266	5,581	5,916
Service charges - other		-	-	-				
Rental of facilities and equipment		1,002	1,058	1,115	1,182	1,253	1,328	1,408
Dividends received		-	-	-				
Fines		6,263	6,612	6,971	7,389	7,832	8,302	8,800
Licences and permits		1,879	1,984	2,091	2,217	2,350	2,491	2,640
Agency services		-	-	-				
Transfers recognised - operational		39,707	44,008	47,793	50,661	53,700	56,922	60,338
Other revenue		13,121	13,440	13,761	14,587	15,462	16,390	17,373
<b>Total future revenue</b>		<b>219,499</b>	<b>236,935</b>	<b>254,675</b>	<b>269,955</b>	<b>286,153</b>	<b>303,322</b>	<b>321,521</b>
<b>Net Financial Implications</b>		<b>16,183</b>	<b>18,163</b>	<b>18,865</b>	<b>19,997</b>	<b>21,196</b>	<b>22,468</b>	<b>23,816</b>

**Table 57 MBRR SA36 - Detailed capital budget per municipal vote**

[illegible]

**Table 58 MBRR SA37 - Projects delayed from previous financial year**

Municipal Vote/Capital project	Ref. 1,2	Project name	Project number	Asset Class 3	Asset Sub-Class 3	GPS co-ordinates 4	Previous Target Year to Complete	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework		
								Original Budget	Full Year Forecast	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand							Year					
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>				<i>Examples</i>	<i>Examples</i>							
Entities: <i>List all capital projects grouped by Municipal Entity</i>												
<i>Entity Name</i> <i>Project name</i>												

## 2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the Municipality has successfully employed and trained 5 interns through this programme and a majority of them were appointed either in uMngeni Municipality or other municipalities.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2012/13 MTREF.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
8. Policies  
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

## 2.14 Other supporting documents

**Table 59 MBRR Table SA1 - Supporting detail to budgeted financial performance**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand											
<b>REVENUE ITEMS:</b>											
<b>Property rates</b>	6										
Total Property Rates		113,786	113,162	132,344	159,214	159,214	136,031	136,031	139,972	147,810	155,792
less Revenue Foregone		45,678	47,935	55,596	58,932	58,932	58,932	58,932	45,734	48,295	50,903
<b>Net Property Rates</b>		68,108	65,228	76,748	100,282	100,282	77,099	77,099	94,238	99,515	104,889
<b>Service charges - electricity revenue</b>	6										
Total Service charges - electricity revenue		23,404	30,907	36,332	44,677	44,677	51,390	51,390	57,058	63,352	70,339
less Revenue Foregone					4,200	4,200	2,391	2,391	2,200	2,200	2,200
<b>Net Service charges - electricity revenue</b>		23,404	30,907	36,332	40,477	40,477	48,999	48,999	54,858	61,152	68,139
<b>Service charges - refuse revenue</b>	6										
Total refuse removal revenue		5,558	8,164	10,232	15,146	15,146	8,210	8,210	8,703	9,190	9,686
Total landfill revenue											
less Revenue Foregone					5,000	5,000	4,125	4,125	5,000	5,000	5,000
<b>Net Service charges - refuse revenue</b>		5,558	8,164	10,232	10,146	10,146	4,085	4,085	3,703	4,190	4,686
<b>Other Revenue by source</b>											
Other Revenue		23,924	29,785	32,177	22,390	22,390	31,497	31,497	8,010	8,054	8,100
Insurance Claims received									200	200	200
Reconnection fees									211	223	235
Sundry Income									409	432	455
LGSETA									151	159	168
Hire meeting room									180	190	200
Shared services									1,713	1,809	1,907
Building Plans									1,632	1,724	1,812
Burial fees									52	55	58
Buy back centre recycling									44	46	49
Electrical connections									519	548	577
<b>Total 'Other' Revenue</b>	1	23,924	29,785	32,177	22,390	22,390	31,497	31,497	13,121	13,440	13,761
<b>EXPENDITURE ITEMS:</b>											
<b>Employee related costs</b>											
Basic Salaries and Wages	2	45,333	47,289	50,067	63,205	63,677	48,326	48,326	54,652	57,713	60,829
Pension and UIF Contributions		7,706	8,343	8,438	7,579	7,579	6,934	6,934	8,689	9,176	9,671
Medical Aid Contributions		843	804	825	2,896	2,896	2,494	2,494	2,499	2,639	2,781
Overtime		338	304	3,551	2,996	2,996	3,559	3,559	2,439	2,576	2,715
Performance Bonus		3,728	4,613	3,892	3,810	3,810	4,163	4,163	4,270	4,509	4,752
Motor Vehicle Allowance			3,756	818	766	766	818	818	615	650	685
Cellphone Allowance				59	58	58	58	58	54	57	60
Housing Allowances				205	202	202	229	229	219	231	243
Other benefits and allowances				76			102	102			
Payments in lieu of leave											
Long service awards											
Post-retirement benefit obligations	4										
<b>sub-total</b>	5	57,948	65,109	67,930	81,510	81,982	66,683	66,683	73,437	77,550	81,738

**Table 59 MBRR Table SA1 - Supporting detail to budgeted financial performance  
(Continued)**

<b>Depreciation &amp; asset impairment</b>											
Depreciation of Property, Plant & Equipment		6,491	8,187	8,727	8,295	8,295	8,295	8,295	9,704	10,248	10,801
<b>Total Depreciation &amp; asset impairment</b>		6,491	8,187	8,727	8,295	8,295	8,295	8,295	9,704	10,248	10,801
<b>Bulk purchases</b>											
Electricity Bulk Purchases		21,550	29,225	38,383	40,767	40,767	50,745	50,745	58,865	67,989	77,507
Water Bulk Purchases											
<b>Total bulk purchases</b>		21,550	29,225	38,383	40,767	40,767	50,745	50,745	58,865	67,989	77,507
<b>Transfers and grants</b>											
Cash transfers and grants		-	-	-	-	594	594	594	-	-	-
Non-cash transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Total transfers and grants</b>		-	-	-	-	594	594	594	-	-	-
<b>Contracted services</b>											
<i>Eskom</i>		3,039	2,389	2,019	4,000	4,000	6,000	6,000	5,000	5,280	5,565
<i>sub-total</i>		3,039	2,389	2,019	4,000	4,000	6,000	6,000	5,000	5,280	5,565
Allocations to organs of state:											
<b>Total contracted services</b>		3,039	2,389	2,019	4,000	4,000	6,000	6,000	5,000	5,280	5,565
<b>Other Expenditure By Type</b>											
Collection costs											
Contributions to 'other' provisions		2,886	2,278	1,384	4,880	4,880	4,880	4,880	5,240	5,398	5,607
Consultant fees		1,059	4,245		620	620	1,022	1,022	1,381	708	747
Audit fees		781	1,157	969	1,484	1,484	848	848	1,272	1,343	1,416
General expenses		48,987	55,131	52,754	33,122	31,941	19,888	19,888	34,012	37,808	40,152
<i>Security</i>				3,892	3,913	3,913	2,634	2,634	2,693	2,844	2,998
<i>Grants paid</i>				3,487	2,626	2,626	456	456	456	482	508
<i>Debt collection fee</i>				2,001	2,300	2,300	680	680	1,000	1,056	1,113
<i>Insurance</i>				715	1,297	1,297	673	673	711	750	791
<i>Legal Fees</i>				795	1,026	1,026	213	213	712	752	793
<i>Subsistence and Travelling</i>				289	800	800	259	259	371	392	413
<i>SPCA expenses</i>				520	600	600	470	470	498	526	554
<i>Lease of vehicles</i>					307	307	279	279	355	375	395
<i>Pound services</i>					300	300	6	6	300	317	334
<i>Asset register maintenance</i>					300	300	300	300	318	336	354
<i>Advertising</i>					400	400	459	459	439	464	489
<i>Postages</i>				410	910	910	729	729	799	844	889
<i>Bank Charges</i>				629	800	800	536	536	577	609	642
<i>External loans redemption</i>					2,370	2,370	3,707	3,707	3,707	3,809	3,938
<i>External loans interest</i>					4,662	4,662	4,209	4,209	4,209	3,981	3,744
<i>Internal transfers</i>					14,311	14,311	14,311	14,311			
<i>Ward committees</i>					1,400	1,400	200	200	800	845	890
<b>Total 'Other' Expenditure</b>		53,712	62,811	67,844	78,428	77,247	56,759	56,759	59,850	63,640	66,766
<b>Repairs and Maintenance by Expenditure Item</b>											
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		5,851	8,010	-	9,801	9,801	6,371	6,371	9,188	10,959	11,781
<b>Total Repairs and Maintenance Expenditure</b>		5,851	8,010	-	9,801	9,801	6,371	6,371	9,188	10,959	11,781



**Table 60 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and dep**

Description	Ref	Vote 1 -	Vote 2 -	Vote 3 -	Vote 4 -	Vote 5 -	Vote 6 -	Vote 7 -	Vote 8 -	
R thousand	1	Executive and	Budget and	Corporate	Planning and	Community	Technical	Economic	Internal Audit	
<b>Revenue By Source</b>										
Property rates		94,238								
Property rates - penalties & collection charges		3,419								
Service charges - electricity revenue										
Service charges - refuse revenue							3,703			
Rental of facilities and equipment				1,002						
Interest earned - external investments			300							
Interest earned - outstanding debtors		1,009								
Licences and permits						1,879				
Other revenue		8,463	411	331	3,346	52				
Transfers recognised - operational		36,455	1,500			1,752				
Gains on disposal of PPE										
<b>Total Revenue (excluding capital transfers and</b>		<b>143,584</b>	<b>2,211</b>	<b>1,333</b>	<b>3,346</b>	<b>9,946</b>	<b>3,703</b>	<b>-</b>	<b>-</b>	
<b>Expenditure By Type</b>										
Employee related costs		6,853	11,608	6,576	6,078	19,973	18,206	1,785	2,358	
Remuneration of councillors		5,426								
Debt impairment		2,000					500			
Depreciation & asset impairment		810	101	1,034	53	1,391	3,890	106	67	
Finance charges		4,209								
Bulk purchases									58,865	
Transfers and grants										
Other expenditure		7,917	5,835	5,835	1,167	14,588	14,588	1,167	1	
Loss on disposal of PPE										
<b>Total Expenditure</b>		<b>27,215</b>	<b>17,544</b>	<b>13,446</b>	<b>7,298</b>	<b>35,952</b>	<b>37,184</b>	<b>3,058</b>	<b>61,290</b>	
<b>Surplus/(Deficit)</b>		<b>116,369</b>	<b>(15,333)</b>	<b>(12,113)</b>	<b>(3,952)</b>	<b>(26,006)</b>	<b>(33,481)</b>	<b>(3,058)</b>	<b>(61,290)</b>	
Transfers recognised - capital										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>116,369</b>	<b>(15,333)</b>	<b>(12,113)</b>	<b>(3,952)</b>	<b>(26,006)</b>	<b>(33,481)</b>	<b>(3,058)</b>	<b>(61,290)</b>	

March 2011

**Table 61 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

Description	Ref	2008/09	2009/10	2010/11	Current Year 2011/12				2012/13 medium term revenue & expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit Outcome	Budget 2012/13	Budget 2013/14	Budget 2014/15
R thousand											
<b>ASSETS</b>											
<b>Call investment deposits</b>											
Call deposits < 90 days		7	3,555	2,109	5,000	5,000	1,000	1,000	-	-	-
Other current investments > 90 days		963	1,035	1,099	15,000	15,000	1,700	1,700	1,700	1,850	2,000
<b>Total Call investment deposits</b>	2	970	4,590	3,208	20,000	20,000	2,700	2,700	1,700	1,850	2,000
<b>Consumer debtors</b>											
Consumer debtors		79,472	66,367	55,968	65,000	65,000	72,000	72,000	70,000	62,000	60,000
Less: Provision for debt impairment		(13,971)	(2,736)	(7,843)	(24,937)	(24,937)	(7,843)	(7,843)	(10,000)	(10,000)	(10,000)
<b>Total Consumer debtors</b>	2	65,500	63,631	48,124	40,063	40,063	64,157	64,157	60,000	52,000	50,000
<b>Debt impairment provision</b>											
Balance at the beginning of the year		21,702	13,971	2,736	13,971	13,971	2,736	2,736	7,843	-	5,000
Contributions to the provision		8,627	5,396	5,108	17,965	17,965	5,108	5,108	2,157	5,000	10,000
Bad debts written off		(16,358)	(16,632)	-	(10,000)	(10,000)	-	-	(10,000)	-	(10,000)
<b>Balance at end of year</b>		13,971	2,736	7,843	21,936	21,936	7,843	7,843	0	5,000	5,000
<b>Property, plant and equipment (PPE)</b>											
PPE at cost/valuation (excl. finance lease)		225,939	248,405	419,214	270,457	300,670	442,317	442,317	458,507	475,585	493,650
Leases recognised as PPE	3										
Less: Accumulated depreciation		35,950	36,314	50,824	51,768	51,768	51,768	51,768	52,538	53,077	53,646
<b>Total Property, plant and equipment</b>	2	189,989	212,091	368,390	218,689	248,902	390,549	390,549	405,969	422,508	440,004
<b>LIABILITIES</b>											
<b>Current liabilities - Borrowing</b>											
Short term loans (other than bank overdraft)											
Current portion of long-term liabilities		3,129	2,635	2,912	3,500	3,500	3,500	3,500	3,000	3,000	3,000
<b>Total Current liabilities - Borrowing</b>		3,129	2,635	2,912	3,500	3,500	3,500	3,500	3,000	3,000	3,000
<b>Trade and other payables</b>											
Trade and other creditors		49,488	28,898	50,194	55,000	55,000	55,000	55,000	35,000	35,000	35,000
Unspent conditional transfers		10,347	28,329	21,750	5,000	5,000	10,454	10,454	10,000	10,000	10,000
VAT			2,861	2,359							
<b>Total Trade and other payables</b>	2	59,835	60,088	74,303	60,000	60,000	65,454	65,454	45,000	45,000	45,000
<b>Non current liabilities - Borrowing</b>											
Borrowing	4	42,848	41,430	41,895	41,970	41,970	41,970	41,970	38,264	34,558	30,852
Finance leases (including PPP asset e		1,786	3,031	1,601	3,031	3,031	3,031	3,031		3,000	
<b>Total Non current liabilities - Borrowing</b>		44,635	44,461	43,496	45,001	45,001	45,001	45,001	38,264	37,558	30,852
<b>Provisions - non-current</b>											
Retirement benefits		11,244	11,065	17,809	15,000	15,000	15,000	15,000	16,000	16,000	16,000
List other major provision items											
Refuse landfill site rehabilitation		5,525	6,550	7,267	6,875	6,875	6,875	6,875	7,500	7,900	8,300
Other		2,332	2,061		2,000	2,000	2,000	2,000	2,500	3,000	3,500
<b>Total Provisions - non-current</b>		19,101	19,676	25,076	23,875	23,875	23,875	23,875	26,000	26,900	27,800
<b>CHANGES IN NET ASSETS</b>											
<b>Accumulated Surplus/(Deficit)</b>											
Accumulated Surplus/(Deficit) - opening		41,961	51,128	129,166	122,033	122,033	122,033	122,033	137,334	153,532	171,824
GRAP adjustments											
Restated balance		41,961	51,128	129,166	122,033	122,033	122,033	122,033	137,334	153,532	171,824
Surplus/(Deficit)		9,166	12,988	16,139	135	61	15,301	15,301	16,198	18,292	18,899
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments			51,146	(40,787)							
<b>Accumulated Surplus/(Deficit)</b>	1	51,128	115,262	104,519	122,168	122,094	137,334	137,334	153,532	171,824	190,722
<b>Reserves</b>											
Housing Development Fund		12,544	11,944	15,286	13,594	13,594	13,594	13,594	11,994	10,394	8,794
Capital replacement											
Self-insurance											
Other reserves											
Revaluation		10,779	10,693	153,835	10,779	10,779	153,835	153,835	153,835	153,835	153,835
<b>Total Reserves</b>	2	23,323	22,637	169,121	24,373	24,373	167,429	167,429	165,829	164,229	162,629
<b>TOTAL COMMUNITY WEALTH</b>	2	74,451	137,899	273,640	146,541	146,467	304,763	304,763	319,361	336,053	353,351

Total capital expenditure includes expenditure on nationally significant priorities:

Provision of basic services											

**Table 62 MBRR Table SA9 – Social, economic and demographic statistics and assumptions**

Description of economic indicator	Ref.	Basis of calculation	1996 Census	2001 Census	2007 Survey	2008/09	2009/10	2010/11	Current Year 2011/12	2012/13 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
<b>Demographics</b>												
Population			70	74	85	85	85	90	90	92	93	94
Females aged 5 - 14			36	37	43	43	43	44	44	45	46	47
Males aged 5 - 14			34	36	42	42	42	43	44	45	46	47
Females aged 15 - 34			8	12	11	11	12	13	14	14	14	14
Males aged 15 - 34												
Unemployment												
<b>Monthly household income (no. of households)</b>			1,076	2,500	3,557	3557	4000	4000	4000	4100	4100	3900
No income			1,500	1,400	1,938	1938	2000	2100	2200	2200	2200	2200
R1 - R1 600	1, 12		4,622	1,800	2,100	2,100	2,100	2,200	2,200	2,200	2,300	2,500
R1 601 - R3 200												
R3 201 - R6 400												
R6 401 - R12 800												
R12 801 - R25 600												
R25 601 - R51 200			69,741	73,896	84,715	84,715	84,715	90,000	90,000	92,000	93,000	94,000
R52 201 - R102 400												
R102 401 - R204 800			15	20	21	21	22	22	22	23	23	23
R204 801 - R409 600												
R409 601 - R819 200			1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
> R819 200												
<b>Poverty profiles (no. of households)</b>			11,654	16,321	17,141	17,141	17,500	17,500	18,000	19,000	19,500	20,000
< R2 060 per household per month	13		2,264	1,660	1,660	1,660	1,500	1,500	1,400	1,300	1,000	1,000
Insert description	2		13,918	17,981	18,801	18801.00	19000.00	19000.00	19400.00	20300.00	20500.00	21000.00
			-	-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**Table 63 MBRR SA32 – List of external mechanisms**

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
ESKOM			AGENCY FEES	INDEFINATE	574,292
BYTES			SAMRAS SYSTEM	INDEFINATE	337,500
UMNGENI SPCA			GRANT	INDEFINATE	875,750
ABSA VEHICLE FINANCE			LEASING OF VEHICLES	INDEFINATE	1,385,222
TELKOM			RENTAL FOR TELEPHONE LIN	INDEFINATE	1,440
SA POST OFFICE			POSTAGE	INDEFINATE	600

## AMENDMENT TO TARIFFS: 2012/2013 FINANCIAL YEAR

Notice is hereby given in terms of Section 75A(3)(b) of the Local Government: Municipal Systems Act (Act 32 of 2000), that uMngeni Municipal Council by Resolution taken on 30 May 2012 resolved to amend the following tariffs as indicated:

### 1. Refuse Removal Tariffs

- |     |                         |   |
|-----|-------------------------|---|
| (a) | Domestic Consumers      | Free up to total market value per property of R200 000.<br>Consumers/Ratepayers with property values in excess of R200 000 will have a monthly charge of R48.20 |
| (b) | Commercial Consumers    | R90.00 per 120ℓ bin per month<br>(One collection per week)  |
| (c) | Government Institutions | R80.00 per bin 120ℓ per month<br>(One collection per week)  |

Sectional title complexes that collect and transport domestic refuse to the landfill site for disposal must make application in writing to the Municipal Manager in order to qualify for reduced refuse removal tariffs subject to all necessary criteria being met.

#### **Waste Management**

Garden Refuse at Landfill Site

R5,00 per Kg

Builders Rubble at Landfill Site

R0,25 per Kg

Domestic Refuse at Landfill Site

R1,00 per Kg

**The above tariff excludes Vat.**

### 2. Electricity Tariffs

#### **Domestic Consumers High on Conventional Meters**

BLOCK 1: 0 – 50 Kwh                      64c/kwh

BLOCK 2: 51 - 350 Kwh                      78c/kwh

BLOCK 3: 351 – 600 Kwh                      101c/kwh

BLOCK 4: 601 and above                      122c/kwh

Basic Charge                                      R93.56 per month

Any domestic consumer in excess of 60 amps will attract the charge of R17.72 per amp per month

**Domestic Consumers Low on Prepaid Meters**

BLOCK 1: 0 – 50 kwh	66c/kwh
BLOCK 2: 51 - 350 kwh	82c/kwh
BLOCK 3: 351 – 600 kwh	105c/kwh

**Domestic Consumers High on Prepaid Meters**

BLOCK 1: 0 – 50 kwh	66c/kwh
BLOCK 2: 51 - 350 kwh	82c/kwh
BLOCK 3: 351 – 600 kwh	105c/kwh
BLOCK 4: 601 and above	124c/kwh

**Commercial Consumers on Conventional Meters**

Per kwh	70c/kwh
Basic Charge	R17.72 per amp per month

**3. Deposits****4.**

- (a) Domestic Consumers:
  - Electricity R1350,00
- (a) All Other Consumers:
  - Electricity: Minimum deposit of R4750,00 but will be Based on 2 months consumption.

**5. Meter Reading Fees**

- (a) Domestic Consumers: R 77,00 per reading on request
- (b) All Other Consumers: R150,00 per reading

**The above tariff excludes Vat.**

**ELECTRICITY - STANDARD CONNECTIONS**

Electricity: (Conventional & Prepaid )	R5350,00 per connection.
Electricity: (Conversion to Pre-paid)	R550,00 per connection
(The standard conversion tariff applies to indigent applicants only and the application must Be made for a 20 amp circuit breaker or lower)	
Domestic Circuit Breaker upgrades	R1022,00 per change
Any other Circuit Breaker upgrades are at cost plus 10 %	

**ELECTRICITY - OTHER CONNECTIONS**

All other electricity connections, beyond the above standard connection are at cost + 20%.  
Conversion from conventional to prepaid above 20 amps is at cost + 20%.

All new electricity, water and sewerage connections are made to the boundary of the property and not the dwelling, depending on the technical considerations.

**The above tariff excludes Vat.**

#### 8. **Disconnection/Reconnection and Tamper Fees**

Electricity: Disconnection/Reconnection fee R315,00

Electricity:

1<sup>st</sup> Offence R1400,00

2<sup>nd</sup> Offence R2320,00

3<sup>rd</sup> Offence Prosecution.

**The above tariff excludes Vat.**

#### 9. **Library Membership Fees**

Adults R80,00 per annum

Children (under 18) R51,00 per annum

**The above tariff excludes Vat.**

#### 10. **Clearance Certificates and Property Valuation Certificates & Objections**

(a) Issuing of Clearance Certificates R130,00 per certificate.

(b) Issuing of Property Valuation Certificates R 75.00 per certificate

(c) Lodging of Objections: R300.00 per objection for Residential and Non-Residential Properties

R600.00 per objection for Agricultural Properties

Refundable if objection is upheld

(d) Lodging of Appeals: R750.00 per appeal for all properties. Refundable if the appeal is upheld by the Valuations Appeals Board

**The above tariff excludes Vat.**

#### 11. **Building Plan Fees**

Minor Works and Internal R130,00

Alterations not affecting the floor area.

New Buildings, erection or additions:

(a) For first 20m<sup>2</sup> R 84,00

(b) For 21m<sup>2</sup> - 50<sup>2</sup> R140,00

(c) For 51m<sup>2</sup> - 90m<sup>2</sup> R210,00

(d) For 91m<sup>2</sup> and above. R 90,00 per 10m<sup>2</sup>



		or part thereof save for a 50% reduction on bone fide farming structures utilized for farming purposes in excess 91m <sup>2</sup> .
(e)	Approval in principle	30% of Building Plan Fee.
(f)	Swimming Pools	R198,00
(g)	Drainage charge	R198,00
(h)	Petrol, Diesel & Gas	R208,00
(i)	Temporary Buildings	R138,00 for each 50m <sup>2</sup> or part thereof.
(j)	Pre-cast Concrete Boundary walls not adjacent to a road boundary but exceeding 1,8 meters in height shall require the submission of an application with sketch plan.	R 125,00
(k)	Pre-cast Concrete Boundary walls adjacent to a road exceeding fence – Minimum 1,5 meters in height are subject to the submission of application forms and building plans.	1/2% of the Value of the R90,00
(l)	Hoarding Fees: Deposit per frontage of 10m <sup>2</sup> or part thereof	R1950,00
	Rental per frontage of 10m <sup>2</sup> or part thereof	R 85,00
(m)	Encroachments Balconies not used for living purposes or business purposes.	R 59,00 per 10m <sup>2</sup> or part thereof.
	Balconies 75% enclosed and attached to business premises and not used or part thereof For business purposes.	R153,00 per 10m <sup>2</sup>
	Balconies used for licensed business purposes.	R630,00 per 10m <sup>2</sup> or part thereof.
	Verandah's	R 59,00 per annum
	Servitudes and Reserves	R97,00 per annum per 10m or part thereof.

**12. Town Planning Fees**

(a) Subdivision	
- Urban (1-5 Subs)	R 3 800,00
- Urban (6-10 Subs)	R 4 200,00
- Urban (Above 10 Subs)	R 5 000,00
- Rural (1-5 Subs)	R 5 500,00
Rural (6-10 Subs)	R 6 500,00
- Rural (Above 10 Subs)	R 7 500,00
(b) Subdivision and Consolidation	R 5 000,00
(c) Special Consent	
- Self contained unit with advertising	R 2 500,00
- Self contained unit without advertising	R 1 000,00
- Other Applications	R 3 500,00
(d) Rezoning	
- less than 1 ha	R 3 770,00
- 1 ha but less than 5 ha	R 4 275,00
- 5 ha but less than 10 ha	R 4 960,00
- 10 ha and above	R 6 000,00
(e) Extension of Scheme	R 3 700,00
Development Outside Scheme	
- 1 ha to 5 ha	R 4 000,00
- 6 ha to 10 ha	R 4 500,00
- 10 ha and above	R 5 000,00
(f) Alteration, Suspension and Removal of restrictive	
Conditions of title or conditions of establishment	R 3 700,00
(g) Closure of Roads/Open Spaces	R 3 700,00
(h) Amend, Phasing, or Cancellation of layouts	R 3 700,00
(g) Extension of scheme	R 3 500,00
(i) Enforcement	
- Spot Fines – Any Illegal Use	R 1 000,00
- Thereafter per day	R 500,00

(j) Spot Fine – Prohibited Use	R 1 000,00
- Thereafter per day	R 1 000,00
(h) Other Fines:	
- Fines as per section 75 and 89 of the PDA	As per court order
- Additional penalties in accordance with section 76:	As per court order
- Section 89 Civil Penalties	10 – 100% of value of illegal building construction etc.

**The above tariff excludes Vat.**

### **13. Photocopies/Plotting Charges:**

Copies made by scholars	R 0,57
A4 Photocopy per page	R 0,85
A3 Photocopy per page	R 1,48
A1 G.I.S. print per page	R 3,60
A4 Plotting costs	R 8,77
A3 Plotting costs	R 26,32
A2 Plotting costs	R 43,86
A1 Plotting costs	R 78,95
A0 Plotting costs	R149,12
AO+ Plotting costs	R172.98
CD Plotting costs	R 52,63
Digital Copies	R 26,32

#### **Wide format Photocopying/plotting Charges**

A0 size	R30,00
A1 size	R20,00
A2 size	R10,00
A3 size	R1,00
CD Plotting	R48,00

**The above tariff excludes Vat**

### **14. Hall Hire Charges:**

## HOWICK WEST HALL

## 1. Profit-making / commercial functions such as Banquet, Theatre and the likes:

	TARIFFS
(a) MAIN HALL Charge per 5 hour session:	R 1300,00
Deposit:	R 1300,00
TOTAL	R 2600,00

	TARIFFS
(b) Side Hall Charge per 5 hour session:	R 700,00
Deposit:	R 1300,00
TOTAL	R 2000,00

	TARIFFS
© Main and Side Hall Charge per 5 hour session:	R 1800,00
Deposit:	R 1800,00
TOTAL:	R 3600,00

## 2. For activities relating to Elections:

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 1400,00

Deposit:	R 1400,00
TOTAL:	R 2800,00

	TARIFFS
(b) Side Hall Charge per 5 hour session:	R 700,00
Deposit:	R 1300.00
TOTAL	R 2000,00
	TARIFFS
(c) Main and Side Hall Charge per 5 hour session:	R 1800,00
Deposit:	R 1800,00
TOTAL:	R 3600,00

3. Fundraising, sporting, religious, political and cultural, and education functions:

Preparation Time R400.00 per session

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 750.00
Deposit:	R 750,00
TOTAL:	R 1500,00

	TARIFFS
(b) Side Hall Charge per hour session:	R 400,00

Deposit:	R 400,00
TOTAL:	R 800,00

	TARIFFS
(c) Main and Side Hall Charge per 5 hour session:	R 1100,00
Deposit:	R 1100,00
TOTAL:	R 2200,00

4. Social functions such as Weddings, Receptions, Parties, Choir performance and the likes:  
Preparation Time R400.00 per session

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 1200,00
Deposit:	R 1200,00
TOTAL:	R 2400,00

	TARIFFS
(b) Side Hall Charge per 5 hour session:	R 700,00
Deposit:	R 1300,00
TOTAL	R 2000,00

	TARIFFS
(c) Main and Side Hall	

Charge per 5 hour session:	R 1200,00
Deposit:	R 1200,00
TOTAL:	R 2400,00

## HILTON HALL

1. Profit-making / commercial functions such as Banquets, Theatre and the likes:  
Preparation time R250.00 per session

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 1200,00
Deposit:	R 1200,00
TOTAL:	R 2400,00

	TARIFFS
(b) Verandah only Charge per 5 hour session:	R 800,00
Deposit:	R 1300,00
TOTAL	R 2100,00

	TARIFFS
(c) Main Hall and Verandah Charge per 5 hour session	R 800,00
Deposit:	R 1300,00
TOTAL:	R 2100,00

2. For activities relating to Elections:

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 1300,00
Deposit:	R 1300,00
TOTAL:	R 2600,00

	TARIFFS
(a) Verandah only Charge per 5 hour session:	R 800.00
Deposit:	R 1200,00
TOTAL:	R 2000,00

	TARIFFS
© Main Hall and Verandah Charge per 5 hour session:	R 2000,00
Deposit:	R 1500,00
TOTAL:	R 3500,00

3. Fundraising, sporting, religious, political and cultural, and education functions:  
Preparations time R300.00 per session

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 400,00
Deposit:	R 400,00
TOTAL:	R 800,00



	TARIFFS
(b) Verandah only Charge per 5 hour session:	R 400,00
Deposit:	R 400,00
TOTAL:	R 800,00

	TARIFFS
(c) Main Hall and Verandah Charge per 5 hour session:	R 700,00
Deposit:	R 700,00
TOTAL:	R 1400,00

4. Social functions such as Weddings, Receptions, Parties, Choir Performances and the likes:  
Preparation time R 200.00 per session

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 1000,00
Deposit:	R 1200,00
TOTAL:	R 2200,00

	TARIFFS
(b) Verandah only Charge per 5 hour session:	R 400,00
Deposit:	R 1200,00
TOTAL:	R 1600,00

	TARIFFS
(c) Main Hall and Verandah Charge per 5 hour session:	R 1300,00
Deposit:	R 1300,00
TOTAL:	R 2600,00

## MPOPHOMENI HALL AND YOUTH THEATRE

1. Profit-making / commercial functions such as Banquets, Theatre and the likes:

	TARIFFS
(a) Main Hall Charge per hour session:	R 800,00
Deposit:	R 800,00
TOTAL:	R 1600,00

2. For activities relating to elections:

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R800,00
Deposit:	R800.00
TOTAL:	R1600,00

3. Fundraising, sporting, religious, political and cultural, and educational functions:

	TARIFFS
--	---------

	R 400,00
Deposit:	R 800,00
TOTAL:	R 1200,00

4. Social functions such as Weddings, Receptions, Parties, Choir Performances and the likes:  
Preparation time R200.00 per session

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 800,00
Deposit:	R 800,00
TOTAL:	R 1600,00

#### HOWICK SOUTH HALL

1. Profit-making / commercial functions such as Banquets, Theatre and the likes:

	TARIFFS
(b) Main Hall Charge per 5 hour session:	R 400,00
Deposit:	R 400,00
TOTAL:	R 800,00

2. For activities relating to Elections:  
Preparation time R100.00 per session

	PROPOSED TARIFFS
(a) Main Hall Charge per 5 hour session:	R 300,00

Deposit:	R 300,00
TOTAL:	R 600,00

3. Fundraising, sporting, religious, political and cultural, and educational functions:  
Preparation time R 100.00 per session

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 300,00
Deposit:	R 300,00
TOTAL:	R 600,00

4. Social functions such as Weddings, Receptions, Parties, Choir Performances and the likes:  
Preparation time R200.00 per session

	TARIFFS
(a) Main Hall Charge per 5 hour session:	R 300,00
Deposit:	R 300,00
TOTAL:	R 600,00

KWA-MEVANA HALL

5. Profit-making / commercial functions such as Banquets, Theatre and the likes:

	TARIFFS
(b) Main Hall Charge per hour session:	R 800,00
Deposit:	R 800,00

TOTAL:	R 1600,00
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## 6. For activities relating to elections:

	TARIFFS
(b) Main Hall Charge per 5 hour session:	R800,00
Deposit:	R800,00
TOTAL:	R1600,00

## 7. Fundraising, sporting, religious, political and cultural, and educational functions:

	TARIFFS
	R 400,00
Deposit:	R 800,00
TOTAL:	R 1200,00

8. Social functions such as Weddings, Receptions, Parties, Choir Performances and the likes:  
Preparation time R250.00 per session

	TARIFFS
(c) Main Hall Charge per 5 hour session:	R 800,00
Deposit:	R 800,00
TOTAL:	R 1600,00

LIDGETTON HALL

## 9. Profit-making / commercial functions such as Banquets, Theatre and the likes:

	TARIFFS
(c) Main Hall Charge per hour session:	R 800,00
Deposit:	R 800,00
TOTAL:	R 1600,00

## 10. For activities relating to elections:

	TARIFFS
(c) Main Hall Charge per 5 hour session:	R 800,00
Deposit:	R 800,00
TOTAL:	R 1600,00

## 11. Fundraising, sporting, religious, political and cultural, and educational functions:

	TARIFFS
	R 400,00
Deposit:	R 800,00
TOTAL:	R 1200,00

12. Social functions such as Weddings, Receptions, Parties, Choir Performances and the likes:  
Preparation time R250.00 per session

	TARIFFS
(d) Main Hall Charge per 5 hour session:	

	R 800,00
Deposit:	R 800,00
TOTAL:	R 1600,00

## 13. Fees for the use of the Dorris Robbins Room at the Howick Library:

- (a) Promotion of culture i.e. Book discussions, art evaluation or educational instruction Free

- (b) Religious services and charitable institutions R 100,00 per session

- (c) Commercial undertakings R250,00 per session

These fees are per session. Morning session 8am to 12 noon and afternoon session 1pm to 5 pm

NOTE: (i) Functions of Provincial and National acclaimed artists are NOT covered on these tariffs as written requests will have to be made to the Municipality.

- (ii) A cancellation fee of 15% of the hire charge will be applicable should the booking be cancelled one month before the event. Should a request for cancellation be received at any time 2 weeks prior to the date of the event, the hire charge or deposit will be forfeited.

## 15. Animal Pound Charges

- (a) Transport of animal by LDV or Truck - R4,00 per Kilometer per animal
- (b) Veterinary Services rendered - Cost plus 10%
- (c) Pound Fees/Holding Fees - Large Animals e.g. Cattle R60,00 per day  
- Small Animals e.g. Sheep R40,00 per day
- (d) Administration Fee - R120,00 per animal

## 16. uMngeni Municipality Sports Complex

Field 1

<u>Ad-hoc day Activities</u>	Deposit	=	R1200,00
	Charge	=	R 150,00
<u>Ad-hoc Night Activities</u>	Deposit	=	R1200,00
	Charge	=	R 300,00/hr
<u>Season Bookings Day</u>	Deposit	=	R2300,00
	Charge p/day	=	R 60,00
<u>Season Booking Night</u>	Deposit	=	R2300,00/Season
	Charge p/night	=	R 180,00/hr

2. Field 2

<u>Ad – hoc Day</u>	Deposit	=	R1200,00
	Charge	=	R 60,00
<u>Ad-hoc Night</u>	Deposit	=	R1200,00
	Charge	=	R 60,00/hr
<u>Season Booking Day</u>	Deposit	=	R2300,00/Season
	Charge	=	R 30,00/Day
<u>Season Booking Night</u>	Deposit	=	R2300,00/Season
	Charge	=	R 50,00/hr

3. Indoor Centre

<u>Ad-hoc (Lights Day &amp; Night)</u>	Deposit	=	R1200,00
	Charge	=	R 130,00/hr
<u>Season Booking</u>	Deposit	=	R2300,00
	Charge	=	R 130,00/hr

4. Bar and Restaurant

Electricity	=	As metered
Water	=	As metered
Lease	=	As per Bid
Deposit	=	R6000,00/year
Maintenance	=	Clean entire grand stand facility
Admin responsibility	=	Report to Municipality on users monthly

5. Gym

Electricity	=	As metered
Water	=	As metered
Lease	=	As per Bid
Deposit	=	R6000,00/year
Maintenance	=	Clean entire Indoor Centre



Admin Responsibilities = Report to Municipality on users monthly

Interest on all arrear accounts will be charged at the rate of 1% per month and any part of a month shall be considered as a full month.

The date on which this notice was first displayed on the municipal notice board is 1 June 2012

These tariffs will come into operation on 1 July 2012.

H S Buthelezi

Acting Municipal Manager

uMngeni Municipality

P O Box 5

**HOWICK**

3290

**MUNICIPAL NOTICE NO: .../ 2012****ASSESSMENT OF GENERAL RATES FOR 2012/ 2013**

Notice is hereby given in terms of Section 14 of the Local Government: Municipal Property Rates Act No 6 of 2004, that by Resolution taken on 30 May 2012 the Council of uMngeni Municipality has resolved to determine the rates payable on all ratable property within the area of uMngeni Municipality for the financial year 1 July 2012 to 30 June 2013 at 1.29 cents in the rand on the market value of the property as stated in the valuation roll.

All rebates and exemptions are contained in the Rates Policy and may in certain instances be applied to the rate as assessed above.

**General:**

1. Rates will be payable monthly in eleven (11) equal installments with the first installment payable on 31 August 2012 and the last installment payable on the 30 June 2013.
2. The date on which the determination of rates came into operation is 01 July 2012.
3. Any rates remaining unpaid for a period longer than 3 months will be subject to legal action to be instituted to recover the arrear amount.
4. Any rates that are not paid on the due date will be subject to interest at the rate of 1% per month or part thereof.
5. A collection fee of 10% will be raised on the amount outstanding on 28 February 2013.
6. The date on which the notice was first displayed on the Municipal Notice Board is 01 June 2012.
7. This notice is also available on uMngeni Municipality's website [www.umngeni.gov.za](http://www.umngeni.gov.za)

**HS BUTHELEZI**  
**ACTING MUNICIPAL MANAGER**  
**PO BOX 5**  
**HOWICK, 3290**

**2.15 Municipal manager's quality certificate**

29-03-12;06:38 ;

;033 2399215

# 1/ 1



uMngeni Municipality

PO Box 5  
3290  
Howick, South AfricaTel: +27 (33) 239 9200  
Fax: +27 (33) 330 4183  
Email: [manager@umngeni.gov.za](mailto:manager@umngeni.gov.za)  
Website: [www.umngeni.gov.za](http://www.umngeni.gov.za)

Our Ref.:

Your Ref.:

**Office of the Municipal Manager****Quality certificate**

I, Hactor Sandanathi Buthelezi, Acting Municipal Manager of uMngeni Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

PRINT NAME

HACTOR SANDANATHI BUTHELEZI

MUNICIPAL MANAGER OF

UMNGENI MUNICIPALITY (KZ222)

SIGNATURE

  
\_\_\_\_\_

DATE

28 MARCH 2012

